

103D CONGRESS
1ST SESSION

H. R. 1200

To provide for health care for every American and to control the cost of the health care system.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 1993

Mr. McDERMOTT (for himself, Mr. CONYERS, Mr. HILLIARD, Mr. BECERRA, Mr. BERMAN, Mr. DELLUMS, Mr. EDWARDS of California, Mr. HAMBURG, Mr. MARTINEZ, Mr. MILLER of California, Ms. PELOSI, Mr. STARK, Mr. TORRES, Mr. TUCKER, Ms. WATERS, Ms. WOOLSEY, Mr. GEJDENSON, Ms. NORTON, Ms. MCKINNEY, Mr. ABERCROMBIE, Mr. BEILENSEN, Mrs. MINK, Miss COLLINS of Michigan, Mr. EVANS, Mr. YATES, Mr. FRANK of Massachusetts, Mr. KENNEDY, Mr. MOAKLEY, Mr. OLVER, Mr. STUDDS, Mr. MFUME, Mrs. COLLINS of Illinois, Mr. OBERSTAR, Mr. VENTO, Mr. CLAY, Mrs. CLAYTON, Mr. PAYNE of New Jersey, Mr. ACKERMAN, Mr. ENGEL, Mr. HINCHEY, Mr. HOCHBRUECKNER, Mr. LAFALCE, Mrs. MALONEY, Mr. MANTON, Mr. NADLER, Mr. OWENS, Mr. RANGEL, Mr. SCHUMER, Mr. TOWNS, Ms. VELÁZQUEZ, Mr. STOKES, Ms. FURSE, Mr. SCOTT, and Mr. SANDERS) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Energy and Commerce, Armed Service, Post Office and Civil Service, and Veterans' Affairs

APRIL 2, 1993

Additional sponsors: Mr. LEWIS of Georgia, Mr. BORSKI, Mr. SABO, Mr. FLAKE, Mr. REYNOLDS, Mr. ANDREWS of Maine, Mr. LANTOS, and Ms. ROYBAL-ALLARD

JUNE 28, 1993

Additional sponsors: Mr. SERRANO, Mr. McCLOSKEY, Mr. BLACKWELL, Mr. WATT, Mrs. MEEK, Mr. SWIFT, Mr. GUTIERREZ, Mr. MARKEY, Mr. GIBBONS, Mr. DE LUGO, Mr. CLYBURN, Mr. RUSH, Mr. ROMERO-BARCELÓ, Mr. COYNE, Mr. DIXON, Mr. MURPHY, Mr. FALEOMAVAEGA, Mr. BROWN of California, Mr. UNDERWOOD, Mr. WASHINGTON, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. FARR of California, and Mr. THOMPSON of Mississippi

OCTOBER 14, 1993

Additional sponsors: Mr. FORD of Tennessee, Mr. BISHOP, and Mr. RAHALL

DECEMBER 17, 1993

Additional sponsors: Mr. FIELDS of Louisiana, Mr. SYNAR, Mr. RICHARDSON,
Mr. GONZALEZ, and Mr. WAXMAN

Deleted sponsor: Mr. MFUME (added March 3, 1993; deleted November 22,
1993)

A BILL

To provide for health care for every American and to control
the cost of the health care system.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “American Health Security Act of 1993”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—ESTABLISHMENT OF A STATE-BASED AMERICAN HEALTH SECURITY PROGRAM; UNIVERSAL ENTITLEMENT; EN- ROLLMENT

Sec. 101. Establishment of a State-based American Health Security Program.

Sec. 102. Universal entitlement.

Sec. 103. Enrollment.

Sec. 104. Portability of benefits.

Sec. 105. Effective date of benefits.

Sec. 106. Relationship to existing Federal health programs.

TITLE II—COMPREHENSIVE BENEFITS, INCLUDING PREVENTIVE BENEFITS AND BENEFITS FOR LONG TERM CARE

Sec. 201. Comprehensive benefits.

Sec. 202. Definitions relating to services.

Sec. 203. Special rules for home and community-based long-term care services.

Sec. 204. Exclusions and limitations.

Sec. 205. Certification; quality review; plans of care.

TITLE III—PROVIDER PARTICIPATION

- Sec. 301. Provider participation and standards.
- Sec. 302. Qualifications for providers.
- Sec. 303. Qualifications for comprehensive health service organizations.
- Sec. 304. Limitation on certain physician referrals.

TITLE IV—ADMINISTRATION

Subtitle A—General Administrative Provisions

- Sec. 401. American Health Security Standards Board.
- Sec. 402. American Health Security Advisory Council.
- Sec. 403. Professional, technical, and temporary advisory committees.
- Sec. 404. American Health Security Quality Council.
- Sec. 405. State health security programs.
- Sec. 406. Complementary conduct of related health programs.

SUBTITLE B—CONTROL OVER FRAUD AND ABUSE

- Sec. 411. Application of Federal sanctions to all fraud and abuse under American Health Security Program.
- Sec. 412. National health care fraud data base.
- Sec. 413. Requirements for operation of State health care fraud and abuse control units.
- Sec. 414. Assignment of unique provider and patient identifiers.

TITLE V—QUALITY ASSESSMENT

- Sec. 501. Functions of Quality Council; development of practice guidelines and application to outliers.
- Sec. 502. State quality review programs.
- Sec. 503. Elimination of existing utilization review programs; transition.
- Sec. 504. Development of national electronic data base.

TITLE VI—NATIONAL HEALTH SECURITY BUDGET; PAYMENTS; COST CONTAINMENT MEASURES

Subtitle A—Budgeting and Payments to States

- Sec. 601. National health security budget.
- Sec. 602. Computation of individual and State capitation amounts.
- Sec. 603. State health security budgets.
- Sec. 604. Federal payments to States.
- Sec. 605. Account for health professional education expenditures.

Subtitle B—Payments by States to Providers

- Sec. 611. Payments to hospitals and other facility-based services for operating expenses on the basis of approved global budgets.
- Sec. 612. Payments to health care practitioners based on prospective fee schedule.
- Sec. 613. Payments to comprehensive health service organizations.
- Sec. 614. Payments for community-based primary health services.
- Sec. 615. Payments for prescription drugs.
- Sec. 616. Approved devices and equipment.
- Sec. 617. Payments for other items and services.
- Sec. 618. Payment incentives for medically underserved areas.
- Sec. 619. Authority for alternative payment methodologies.

Subtitle C—Mandatory Assignment and Administrative Provisions

- Sec. 621. Mandatory assignment.
- Sec. 622. Procedures for reimbursement; appeals.

TITLE VII—PROMOTION OF PRIMARY HEALTH CARE; DEVELOPMENT OF HEALTH SERVICE CAPACITY; PROGRAMS TO ASSIST THE MEDICALLY UNDERSERVED

Subtitle A—Promotion and Expansion of Primary Care Professional Training

- Sec. 701. Role of Board; establishment of primary care professional output goals.
- Sec. 702. Establishment of advisory committee on health professional education.
- Sec. 703. Grants for health professions education, nurse education, and the National Health Service Corps.

Subtitle B—Direct Health Care Delivery

- Sec. 711. Setaside for public health block grants.
- Sec. 712. Setaside for primary health care delivery.
- Sec. 713. Primary care service expansion grants.

Subtitle C—Primary Care and Outcomes Research

- Sec. 721. Set-aside for outcomes research.
- Sec. 722. Office of Primary Care and Prevention Research.

TITLE VIII—FINANCING PROVISIONS; AMERICAN HEALTH SECURITY TRUST FUND

- Sec. 800. Amendment of 1986 code; section 15 not to apply.

Subtitle A—AMERICAN HEALTH SECURITY TRUST FUND

- Sec. 801. American Health Security Trust Fund.

Subtitle B—Increases in Corporate and Individual Income Tax Rates; Health Security Premium; and Surtax on Individuals With Incomes Over \$1,000,000

- Sec. 811. Increases in regular income tax rates.
- Sec. 812. Increases in minimum tax rates.
- Sec. 813. Health security premium.
- Sec. 814. Surtax on individuals with incomes over \$1,000,000.

Subtitle C—Employment Tax Changes

- Sec. 821. Modifications of certain employment tax provisions.

Subtitle D—Other Revenue Increases Primarily Affecting Individuals

- Sec. 831. Overall limitation on itemized deductions for high-income taxpayers made permanent.
- Sec. 832. Phaseout of personal exemption of high-income taxpayers made permanent.
- Sec. 833. Modifications to deductions for certain moving expenses.
- Sec. 834. Top estate and gift tax rates made permanent.
- Sec. 835. Elimination of deduction for club membership fees.

- Sec. 836. Increase of Social Security benefits included in income.
 Sec. 837. Long-term health care premium for the elderly.

Subtitle E—Other Revenue Increases Primarily Affecting Businesses

- Sec. 841. Mark to market accounting method for securities dealers.
 Sec. 842. Increase in recovery period for nonresidential real property.
 Sec. 843. Taxation of income of controlled foreign corporations attributable to imported property.
 Sec. 844. Repeal of deduction for intangible drilling and development costs.
 Sec. 845. Repeal of percentage depletion for oil and gas wells.
 Sec. 846. Repeal of application of like-kind exchange rules to real property.
 Sec. 847. Amortization of portion of advertising expenses.

Subtitle F—Estimated Tax Provisions

- Sec. 851. Individual estimated tax provisions.
 Sec. 852. Corporate estimated tax provisions.

Subtitle G—Alternative Taxable Years

- Sec. 861. Election of taxable year other than required taxable year.
 Sec. 862. Required payments for entities electing not to have required taxable year.

Subtitle H—Deduction for Charitable Contribution of Appreciated Property Limited To Adjusted Basis

- Sec. 871. Deduction for charitable contribution of appreciated property limited to adjusted basis.

Subtitle I—Minimum 5 Percent Rate of Tax on Interest Paid To Foreign Persons

- Sec. 881. Minimum 5 percent rate of tax on interest paid to foreign persons.
 Sec. 981. Minimum 5 percent rate of tax on interest paid to foreign persons.

1 **TITLE I—ESTABLISHMENT OF A**
 2 **STATE-BASED AMERICAN**
 3 **HEALTH SECURITY PRO-**
 4 **GRAM; UNIVERSAL ENTITLE-**
 5 **MENT; ENROLLMENT**

6 **SEC. 101. ESTABLISHMENT OF A STATE-BASED AMERICAN**
 7 **HEALTH SECURITY PROGRAM.**

8 (a) IN GENERAL.—There is hereby established in the
 9 United States a State-Based American Health Security
 10 Program to be administered by the individual States in

1 accordance with Federal standards specified in, or estab-
2 lished under, this Act.

3 (b) STATE HEALTH SECURITY PROGRAMS.—In order
4 for a State to be eligible to receive payment under section
5 604, a State must establish a State health security pro-
6 gram in accordance with this Act.

7 (c) STATE DEFINED.—

8 (1) IN GENERAL.—In this Act, subject to para-
9 graph (2), the term “State” means each of the fifty
10 States and the District of Columbia.

11 (2) ELECTION.—If the Governor of Puerto
12 Rico, the Virgin Islands, Guam, American Samoa, or
13 the Northern Mariana Islands certifies to the Presi-
14 dent that the legislature of the Commonwealth or
15 territory has enacted legislation desiring that the
16 Commonwealth or territory be included as a State
17 under the provisions of this Act, such Common-
18 wealth or territory shall be included as a “State”
19 under this Act beginning January 1 of the first year
20 beginning ninety days after the President receives
21 the notification.

22 **SEC. 102. UNIVERSAL ENTITLEMENT.**

23 (a) IN GENERAL.—Every individual who is a resident
24 of the United States and is a citizen or national of the
25 United States or lawful resident alien (as defined in sub-

1 section (d) is entitled to benefits for health care services
2 under this Act under the appropriate State health security
3 program. In this section, the term “appropriate State
4 health security program” means, with respect to an indi-
5 vidual, the State health security program for the State in
6 which the individual maintains a primary residence.

7 (b) TREATMENT OF CERTAIN NONIMMIGRANTS.—

8 (1) IN GENERAL.—The American Health Secu-
9 rity Standards Board (in this Act referred to as the
10 “Board”) may make eligible for benefits for health
11 care services under the appropriate State health se-
12 curity program under this Act such classes of aliens
13 admitted to the United States as nonimmigrants as
14 the Board may provide.

15 (2) CONSIDERATION.—In providing for eligi-
16 bility under paragraph (1), the Board shall consider
17 reciprocity in health care services offered to United
18 States citizens who are nonimmigrants in other for-
19 eign states, and such other factors as the Board
20 determines to be appropriate.

21 (c) TREATMENT OF OTHER INDIVIDUALS.—

22 (1) BY BOARD.—The Board also may make eli-
23 gible for benefits for health care services under the
24 appropriate State health security program under this
25 Act other individuals not described in subsection (a)

1 or (b), and regulate the nature of the eligibility of
2 such individuals, in order—

3 (A) to preserve the public health of
4 communities,

5 (B) to compensate States for the addi-
6 tional health care financing burdens created by
7 such individuals, and

8 (C) to prevent adverse financial and medi-
9 cal consequences of uncompensated care,
10 while inhibiting travel and immigration to the
11 United States for the sole purpose of obtaining
12 health care services.

13 (2) BY STATES.—Any State health security pro-
14 gram may make individuals described in paragraph
15 (1) eligible for benefits at the expense of the State.

16 (d) LAWFUL RESIDENT ALIEN DEFINED.—For pur-
17 poses of this section, the term “lawful resident alien”
18 means an alien lawfully admitted for permanent residence
19 and any other alien lawfully residing permanently in the
20 United States under color of law, including an alien with
21 lawful temporary resident status under section 210, 210A,
22 or 234A of the Immigration and Nationality Act (8 U.S.C.
23 1160, 1161, or 1255a).

1 **SEC. 103. ENROLLMENT.**

2 (a) IN GENERAL.—Each State health security pro-
3 gram shall provide a mechanism for the enrollment of indi-
4 viduals entitled or eligible for benefits under this Act. The
5 mechanism shall—

6 (1) include a process for the automatic enroll-
7 ment of individuals at the time of birth in the
8 United States and at the time of immigration into
9 the United States or other acquisition of lawful resi-
10 dent status in the United States,

11 (2) provide for the enrollment, as of January 1,
12 1995, of all individuals who are eligible to be en-
13 rolled as of such date, and

14 (3) include a process for the enrollment of indi-
15 viduals made eligible for health care services under
16 subsections (b) and (c) of section 102.

17 (b) AVAILABILITY OF APPLICATIONS.—Each State
18 health security program shall make applications for enroll-
19 ment under the program available—

20 (1) at local offices of the Social Security
21 Administration,

22 (2) at social services locations,

23 (3) at out-reach sites (such as provider and
24 practitioner locations), and

1 (4) at other locations (including post offices
2 and schools) accessible to a broad cross-section of
3 individuals eligible to enroll.

4 (c) ISSUANCE OF HEALTH SECURITY CARDS.—In
5 conjunction with an individual's enrollment for benefits
6 under this Act, the State health security program shall
7 provide for the issuance of a health security card which
8 shall be used for purposes of identification and processing
9 of claims for benefits under the program.

10 **SEC. 104. PORTABILITY OF BENEFITS.**

11 (a) IN GENERAL.—To ensure continuous access to
12 benefits for health care services covered under this Act,
13 each State health security program—

14 (1) shall not impose any minimum period of
15 residence in the State, or waiting period, in excess
16 of three months before residents of the State are
17 entitled to, or eligible for, such benefits under the
18 program;

19 (2) shall provide continuation of payment for
20 covered health care services to individuals who have
21 terminated their residence in the State and estab-
22 lished their residence in another State, for the dura-
23 tion of any waiting period imposed in the State of
24 new residency for establishing entitlement to, or
25 eligibility for, such services; and

1 (3) shall provide for the payment for health
2 care services covered under this Act provided to indi-
3 viduals while temporarily absent from the State, for
4 reasons other than to obtain the services, based on
5 the following principles:

6 (A) Payment for such health care services
7 is at the rate that is approved by the State
8 health security program in the State in which
9 the services are provided, unless the States con-
10 cerned agree to apportion the cost between
11 them in a different manner.

12 (B) Payment for such health care services
13 provided outside the United States is made on
14 the basis of the amount that would have been
15 paid by the State health security program for
16 similar services rendered in the State, with due
17 regard, in the case of hospital services, to the
18 size of the hospital, standards of service, and
19 other relevant factors.

20 (b) CROSS-BORDER ARRANGEMENTS.—A State
21 health security program for a State may negotiate with
22 such a program in an adjacent State a reciprocal arrange-
23 ment for the coverage under such other program of health
24 care services to enrollees residing in the border region.

1 **SEC. 105. EFFECTIVE DATE OF BENEFITS.**

2 Benefits shall first be available under this Act for
3 items and services furnished on or after January 1, 1995.

4 **SEC. 106. RELATIONSHIP TO EXISTING FEDERAL HEALTH**
5 **PROGRAMS.**

6 (a) MEDICARE AND MEDICAID.—

7 (1) IN GENERAL.—Notwithstanding any other
8 provision of law, subject to paragraph (2)—

9 (A) no benefits shall be available under
10 title XVIII of the Social Security Act for any
11 item or service furnished after December 31,
12 1994,

13 (B) no individual is entitled to medical as-
14 sistance under a State plan approved under
15 title XIX of such Act for any item or service
16 furnished after such date, and

17 (C) no payment shall be made to a State
18 under section 1903(a) of such Act with respect
19 to medical assistance for any item or service
20 furnished after such date.

21 (2) TRANSITION.—In the case of inpatient hos-
22 pital services and extended care services during a
23 continuous period of stay which began before Janu-
24 ary 1, 1995, and which had not ended as of such
25 date, for which benefits are provided under title
26 XVIII, or under a State plan under title XIX, of the

1 Social Security Act, the Secretary of Health and
2 Human Services and each State plan, respectively,
3 shall provide for continuation of benefits under such
4 title or plan until the end of the period of stay.

5 (b) FEDERAL EMPLOYEES HEALTH BENEFITS PRO-
6 GRAM.—No benefits shall be made available under chapter
7 89 of title 5, United States Code, for any part of a cov-
8 erage period occurring after December 31, 1994.

9 (c) CHAMPUS.—No benefits shall be made available
10 under sections 1079 and 1086 of title 10, United States
11 Code, for items or services furnished after December 31,
12 1994.

13 (d) TREATMENT OF BENEFITS FOR VETERANS AND
14 NATIVE AMERICANS.—Nothing in this Act shall affect the
15 eligibility of veterans for the medical benefits and services
16 provided under title 38, United States Code, or of Indians
17 for the medical benefits and services provided by or
18 through the Indian Health Service.

19 **TITLE II—COMPREHENSIVE BEN-**
20 **EFITS, INCLUDING PREVEN-**
21 **TIVE BENEFITS AND BENE-**
22 **FITS FOR LONG TERM CARE**

23 **SEC. 201. COMPREHENSIVE BENEFITS.**

24 (a) IN GENERAL.—Subject to the succeeding provi-
25 sions of this title, individuals enrolled for benefits under

1 this Act are entitled to have payment made under a State
2 health security program for the following items and serv-
3 ices if medically necessary and appropriate for the mainte-
4 nance of health or for the diagnosis, treatment, or rehabili-
5 tation of a health condition:

6 (1) HOSPITAL SERVICES.—Inpatient and out-
7 patient hospital care, including 24-hour a day emer-
8 gency services.

9 (2) PROFESSIONAL SERVICES.—Professional
10 services of health care practitioners authorized to
11 provide health care services under State law.

12 (3) COMMUNITY-BASED PRIMARY HEALTH
13 SERVICES.—Community-based primary health serv-
14 ices (as defined in section 202(a)).

15 (4) PREVENTIVE SERVICES.—Preventive serv-
16 ices (as defined in section 202(b)).

17 (5) LONG-TERM AND CHRONIC CARE SERV-
18 ICES.—

19 (A) Nursing facility services.

20 (B) Home health services.

21 (C) Home and community-based long term
22 care services (as defined in section 202(c)) for
23 individuals described in section 203(a).

24 (D) Hospice care.

1 (6) PRESCRIPTION DRUGS, BIOLOGICALS, INSU-
2 LIN, MEDICAL FOODS.—

3 (A) Outpatient prescription drugs and
4 biologicals, as specified by the Board consistent
5 with section 515.

6 (B) Insulin.

7 (C) Medical foods (as defined in section
8 202(d)).

9 (7) DENTAL SERVICES.—Dental services (as de-
10 fined in section 202(h)).

11 (8) MENTAL HEALTH SERVICES.—Mental
12 health services (as defined in section 202(e)).

13 (9) SUBSTANCE ABUSE TREATMENT SERV-
14 ICES.—Substance abuse treatment services (as de-
15 fined in section 202(f)).

16 (10) DIAGNOSTIC TESTS.—Diagnostic tests.

17 (11) OTHER ITEMS AND SERVICES.—

18 (A) OUTPATIENT THERAPY.—Outpatient
19 physical therapy services, outpatient speech pa-
20 thology services, and outpatient occupational
21 therapy services in all settings.

22 (B) DURABLE MEDICAL EQUIPMENT.—Du-
23 rable medical equipment.

24 (C) HOME DIALYSIS.—Home dialysis sup-
25 plies and equipment.

1 (D) AMBULANCE.—Emergency ambulance
2 service.

3 (E) PROSTHETIC DEVICES.—Prosthetic de-
4 vices, including replacements of such devices.

5 (F) ADDITIONAL ITEMS AND SERVICES.—
6 Such other medical or health care items or
7 services as the Board may specify.

8 (b) COST-SHARING.—There are no deductibles, coin-
9 surance, or copayments applicable to acute care benefits
10 provided under this title.

11 (c) PROHIBITION OF BALANCE BILLING.—As pro-
12 vided in section 531, no person may impose a charge for
13 covered services for which benefits are provided under this
14 Act.

15 (d) NO DUPLICATE HEALTH INSURANCE.—Each
16 State health security program shall prohibit the sale of
17 health insurance in the State if payment under the insur-
18 ance duplicates payment for any items or services for
19 which payment may be made under such a program.

20 (e) STATE PROGRAM MAY PROVIDE ADDITIONAL
21 BENEFITS.—Nothing in this Act shall be construed as
22 limiting the benefits that may be made available under a
23 State health security program to residents of the State
24 at the expense of the State.

1 (f) EMPLOYERS MAY PROVIDE ADDITIONAL BENE-
2 FITS.—Nothing in this Act shall be construed as limiting
3 the additional benefits that an employer may provide to
4 employees or their dependents, or to former employees or
5 their dependents.

6 **SEC. 202. DEFINITIONS RELATING TO SERVICES.**

7 (a) COMMUNITY-BASED PRIMARY HEALTH SERV-
8 ICES.—In this title, the term “community-based primary
9 health services” means ambulatory health services fur-
10 nished—

11 (1) by a rural health clinic;

12 (2) by a Federally-qualified health center, and
13 which, for purposes of this Act, include services
14 furnished by State and local health agencies;

15 (3) in a school-based setting;

16 (4) by public educational agencies and other
17 providers of services to children entitled to assist-
18 ance under the Individuals with Disabilities Edu-
19 cation Act for services furnished pursuant to a
20 written Individualized Family Services Plan or
21 Individual Education Plan under such Act; and

22 (5) public and private non-profit entities receiv-
23 ing Federal assistance under the Public Health
24 Service Act.

25 (b) PREVENTIVE SERVICES.—

1 (1) IN GENERAL.—In this title, the term “pre-
2 ventive services” means items and services—

3 (A) which—

4 (i) are specified in paragraph (2), or

5 (ii) the Board determines to be effec-
6 tive in the maintenance and promotion of
7 health or minimizing the effect of illness,
8 disease, or medical condition; and

9 (B) which are provided consistent with the
10 periodicity schedule established under para-
11 graph (3).

12 (2) SPECIFIED PREVENTIVE SERVICES.—The
13 services specified in this paragraph are as follows:

14 (A) Basic immunizations.

15 (B) Prenatal and well-baby care (for in-
16 fants under one year of age).

17 (C) Well-child care (including periodic
18 physical examinations, hearing and vision
19 screening, and developmental screening and ex-
20 aminations) for individuals under 18 years of
21 age.

22 (D) Periodic screening mammography, Pap
23 smears, and colorectal examinations and exami-
24 nations for prostate cancer.

25 (E) Physical examinations.

1 (F) Family planning services.

2 (G) Routine eye examinations, eyeglasses,
3 and contact lenses.

4 (H) Hearing aids, but only upon a deter-
5 mination of a certified audiologist or physician
6 that a hearing problem exists and is caused by
7 a condition that can be corrected by use of a
8 hearing aid.

9 (3) SCHEDULE.—The Board shall establish, in
10 consultation with experts in preventive medicine and
11 public health and taking into consideration those
12 preventive services recommended by the Preventive
13 Services Task Force and published as the Guide to
14 Clinical Preventive Services, a periodicity schedule
15 for the coverage of preventive services under para-
16 graph (1). Such schedule shall take into consider-
17 ation the cost-effectiveness of appropriate preventive
18 care and shall be revised not less frequently than
19 once every 5 years, in consultation with experts in
20 preventive medicine and public health.

21 (c) HOME AND COMMUNITY-BASED LONG-TERM
22 CARE SERVICES.—In this title, the term “home and com-
23 munity-based long term care services” means the following
24 services provided to an individual to enable the individual

1 to remain in such individual's place of residence within
2 the community:

3 (1) Homemaker services, including meals.

4 (2) Home health aide services.

5 (3) Heavy chores.

6 (4) Adult day health care, social day care or
7 psychiatric day care.

8 (5) Medical social work services.

9 (6) Care coordination services, as defined in
10 subsection (g)(1).

11 (7) Respite care, including training for informal
12 caregivers.

13 (d) MEDICAL FOODS.—In this title, the term “medi-
14 cal foods” means foods which are formulated to be
15 consumed or administered enterally under the supervision
16 of a physician and which are intended for the specific die-
17 tary management of a disease or condition for which
18 distinctive nutritional requirements, based on recognized
19 scientific principles, are established by medical evaluation.

20 (e) MENTAL HEALTH SERVICES.—In this title, the
21 term “mental health services” means services related to
22 the prevention, diagnosis, treatment, and rehabilitation of
23 mental illness and promotion of mental health, including
24 the following services:

25 (1) Crisis intervention.

1 (2) Outpatient mental health services.

2 (3) Partial hospitalization and day and evening
3 treatment programs.

4 (4) Psychosocial rehabilitation services.

5 (5) Pharmacotherapeutic interventions.

6 (6) Other rehabilitation services, including half-
7 way and three-quarter-way house care.

8 (7) Inpatient mental health services.

9 (8) Care coordination services (as defined in
10 subsection (g)(1)).

11 (f) SUBSTANCE ABUSE TREATMENT SERVICES.—In
12 this title, the term “substance abuse treatment services”
13 means services for the treatment of dependency on alcohol
14 or controlled substances provided through a treatment
15 program meeting State qualification standards and in-
16 cludes the following services:

17 (1) Crisis intervention, including assessment,
18 diagnosis, and referral.

19 (2) Detoxification services, in ambulatory and
20 inpatient settings.

21 (3) Outpatient services, including intensive day
22 and evening programs, continuing care, and family
23 services.

24 (4) Short-term residential services in a hospital
25 or free-standing program.

1 (5) Long-term residential services, including
2 therapeutic communities and halfway houses.

3 (6) Pharmacotherapeutic interventions.

4 (7) Care coordination services (as defined in
5 subsection (g)(1)).

6 (g) CARE COORDINATION SERVICES.—

7 (1) IN GENERAL.—In this title, the term “care
8 coordination services” means services provided by
9 care coordinators (as defined in paragraph (2)) to
10 individuals described in paragraph (3) for the co-
11 ordination and monitoring of mental health services,
12 substance abuse treatment services, and home and
13 community-based long term care services to ensure
14 appropriate, cost-effective utilization of such services
15 in a comprehensive and continuous manner, and in-
16 cludes—

17 (A) transition management between inpa-
18 tient facilities and community-based services,
19 including assisting patients in identifying and
20 gaining access to appropriate ancillary services;
21 and

22 (B) evaluating and recommending appro-
23 priate treatment services, in cooperation with
24 patients and other providers and in conjunction

1 with any quality review program or plan of care
2 under section 205.

3 (2) CARE COORDINATOR.—

4 (A) IN GENERAL.—In this title, the term
5 “care coordinator” means an individual or non-
6 profit or public agency or organization which
7 the State health security program determines—

8 (i) is capable of performing directly,
9 efficiently, and effectively the duties of a
10 care coordinator described in paragraph
11 (1), and

12 (ii) demonstrates capability in estab-
13 lishing and periodically reviewing and re-
14 vising plans of care, and in arranging for
15 and monitoring the provision and quality
16 of services under any plan.

17 (B) INDEPENDENCE.—State health secu-
18 rity programs shall establish safeguards to as-
19 sure that care coordinators have no financial in-
20 terest in treatment decisions or placements.
21 Care coordination may not be provided through
22 any structure or mechanism through which
23 quality review is performed.

24 (3) ELIGIBLE INDIVIDUALS.—An individual de-
25 scribed in this paragraph is an individual—

1 (A) described in section 203 (relating to
2 individuals qualifying for long term and chronic
3 care services); or

4 (B) determined (in a manner specified by
5 the Board)—

6 (i) to have a serious mental illness (as
7 defined by the Board), or

8 (ii) to have a history of substance
9 abuse displaying severe associated illness
10 or previous treatment failure (as defined
11 by the Board).

12 (h) DENTAL SERVICES.—In this title, the term “den-
13 tal services” means preventive and prophylactic dental
14 treatment consistent with a periodicity schedule estab-
15 lished by the Board and treatment for dental disease and
16 injury in children under 18 years of age, and does not
17 include orthodontic services.

18 (i) NURSING FACILITY; NURSING FACILITY SERV-
19 ICES.—Except as may be provided by the Board, the
20 terms “nursing facility” and “nursing facility services”
21 have the meanings given such terms in sections 1919(a)
22 and 1905(f), respectively, of the Social Security Act.

23 (j) OTHER TERMS.—Except as may be provided by
24 the Board, the definitions contained in section 1861 of the
25 Social Security Act shall apply.

1 **SEC. 203. SPECIAL RULES FOR HOME AND COMMUNITY-**
2 **BASED LONG-TERM CARE SERVICES.**

3 (a) QUALIFYING INDIVIDUALS.—For purposes of sec-
4 tion 201(a)(5)(C), individuals described in this subsection
5 are the following individuals:

6 (1) ADULTS.—Individuals 18 years of age or
7 older determined (in a manner specified by the
8 Board)—

9 (A) to be unable to perform, without the
10 assistance of an individual, at least 2 of the fol-
11 lowing 5 activities of daily living (or who has a
12 similar level of disability due to cognitive
13 impairment)—

14 (i) bathing;

15 (ii) eating;

16 (iii) dressing;

17 (iv) toileting; and

18 (v) transferring in and out of a bed or
19 in and out of a chair; or

20 (B) due to cognitive or mental impair-
21 ments, requires supervision because the individ-
22 ual behaves in a manner that poses health or
23 safety hazards to himself or herself or others.

24 (2) CHILDREN.—Individuals under 18 years of
25 age determined (in a manner specified by the Board)

1 to meet such alternative standard of disability for
2 children as the Board develops.

3 (b) LIMIT ON SERVICES.—

4 (1) IN GENERAL.—No individual is entitled to
5 receive benefits under a State health security pro-
6 gram with respect to home and community-based
7 long term care services in a period (specified by the
8 Board) to the extent the amount of payments for
9 such benefits exceeds 65 percent (or such alternative
10 ratio as the Board establishes under paragraph (2))
11 of the average of amount of payment that would
12 have been made under the program during the pe-
13 riod if the individual were a resident of a nursing fa-
14 cility in the same area in which the services were
15 provided.

16 (2) ALTERNATIVE RATIO.—The Board may es-
17 tablish for purposes of paragraph (1) an alternative
18 ratio (of payments for home and community-based
19 long term care services to payments for nursing fa-
20 cility services) as the Board determines to be more
21 consistent with the goal of providing cost-effective
22 long-term care in the most appropriate and least
23 restrictive setting.

1 **SEC. 204. EXCLUSIONS AND LIMITATIONS.**

2 (a) IN GENERAL.—Subject to section 201(e), benefits
3 for service are not available under this Act unless the
4 services meet the standards specified in section 201(a).

5 (b) MENTAL HEALTH SERVICES AND SUBSTANCE
6 ABUSE TREATMENT SERVICES.—

7 (1) IN GENERAL.—Mental health services and
8 substance abuse treatment services furnished for an
9 individual in excess of a threshold specified in para-
10 graph (2) are not covered services unless the services
11 are determined under a utilization review program to
12 meet the standards specified in section 201(a) and,
13 with respect to inpatient or residential treatment
14 services, to be provided in the least restrictive and
15 most appropriate setting.

16 (2) UTILIZATION REVIEW THRESHOLD.—

17 (A) IN GENERAL.—Subject to subpara-
18 graphs (B) and (C), the thresholds specified in
19 this paragraph are—

20 (i) 20 outpatient visits in a year, and
21 (ii) 15 days of inpatient services in a
22 year.

23 (B) ALTERNATIVE NATIONAL THRESH-
24 OLDS.—The Board may specify alternative
25 thresholds to those specified in subparagraph
26 (A).

1 (C) ADDITIONAL STATE THRESHOLDS.—A
2 State health security program may specify
3 thresholds in addition to those established
4 under the previous subparagraphs, which
5 thresholds may be higher or lower than the
6 number of outpatient visits or days of inpatient
7 services otherwise specified.

8 (c) TREATMENT OF EXPERIMENTAL SERVICES.—In
9 applying subsection (a), the Board shall make, after con-
10 sultation with a technical advisory committee, national
11 coverage determinations with respect to those services that
12 are experimental in nature. Such determinations shall be
13 made consistent with a process that provides for profes-
14 sional input and public comment.

15 (d) APPLICATION OF NATIONAL PRACTICE GUIDE-
16 LINES.—In the case of services for which the Board has
17 recognized national practice guidelines, the services are
18 considered to meet the standards specified in section
19 201(a) only if they have been provided in accordance with
20 such guidelines or in accordance with such guidelines as
21 are provided by the State health security program consist-
22 ent with title V.

23 (e) SPECIFIC LIMITATIONS.—

24 (1) LIMITATIONS ON EYEGLASSES, CONTACT
25 LENSES, HEARING AIDS, AND DURABLE MEDICAL

1 EQUIPMENT.—Subject to section 201(e), the Board
2 may impose such limits relating to the costs and fre-
3 quency of replacement of eyeglasses, contact lenses,
4 hearing aids, and durable medical equipment to
5 which individuals enrolled for benefits under this Act
6 are entitled to have payment made under a State
7 health security program as the Board deems appro-
8 priate.

9 (2) OVERLAP WITH PREVENTIVE SERVICES.—
10 The coverage of services described in section 201(a)
11 (other than paragraph (3)) which also are preventive
12 services are required to be covered only to the extent
13 that they are required to be covered as preventive
14 services.

15 (3) MISCELLANEOUS EXCLUSIONS FROM COV-
16 ERED SERVICES.—Covered services under this Act
17 do not include the following:

18 (A) Surgery and other procedures (such as
19 orthodontia) performed solely for cosmetic pur-
20 poses (as defined in regulations) and hospital or
21 other services incident thereto, unless—

22 (i) required to correct a congenital
23 anomaly;

24 (ii) required to restore or correct a
25 part of the body which has been altered as

1 a result of accidental injury, disease, or
2 surgery; or

3 (iii) otherwise determined to be medi-
4 cally necessary and appropriate under sec-
5 tion 201(a).

6 (B) Personal comfort items or private
7 rooms in inpatient facilities, unless determined
8 to be medically necessary and appropriate
9 under section 201(a).

10 (C) The services of a professional practi-
11 tioner if they are furnished in a hospital or
12 other facility which is not a participating pro-
13 vider.

14 (f) NURSING FACILITY SERVICES AND HOME
15 HEALTH SERVICES.—Nursing facility services and home
16 health services (other than post-hospital services, as de-
17 fined by the Board) furnished to an individual who is not
18 described in section 203(a) are not covered services unless
19 the services are determined to meet the standards speci-
20 fied in section 201(a) and, with respect to nursing facility
21 services, to be provided in the least restrictive and most
22 appropriate setting.

1 **SEC. 205. CERTIFICATION; QUALITY REVIEW; PLANS OF**
2 **CARE.**

3 (a) CERTIFICATIONS.—State health security pro-
4 grams may require, as a condition of payment for institu-
5 tional health care services and other services of the type
6 described in such sections 1814(a) and 1835(a) of the So-
7 cial Security Act, periodic professional certifications of the
8 kind described in such sections.

9 (b) QUALITY REVIEW.—For requirement that each
10 State health security program establish a quality review
11 program that meets the requirements for such a program
12 under title V, see section 405(b)(1)(H).

13 (c) PLAN OF CARE REQUIREMENTS.—A State health
14 security program may require, consistent with standards
15 established by the Board, that payment for services ex-
16 ceeding specified levels or duration be provided only as
17 consistent with a plan of care or treatment formulated by
18 one or more providers of the services or other qualified
19 professionals. Such a plan may include, consistent with
20 subsection (b), case management at specified intervals as
21 a further condition of payment for services.

22 **TITLE III—PROVIDER**
23 **PARTICIPATION**

24 **SEC. 301. PROVIDER PARTICIPATION AND STANDARDS.**

25 (a) IN GENERAL.—An individual or other entity fur-
26 nishing any covered service under a State health security

1 program under this Act is not a qualified provider unless
2 the individual or entity—

3 (1) is a qualified provider of the services under
4 section 302;

5 (2) has filed with the State health security pro-
6 gram a participation agreement described in sub-
7 section (b); and

8 (3) meets such other qualifications and condi-
9 tions as are established by the Board or the State
10 health security program under this Act.

11 (b) REQUIREMENTS IN PARTICIPATION AGREE-
12 MENT.—

13 (1) IN GENERAL.—A participation agreement
14 described in this subsection between a State health
15 security program and a provider shall provide at
16 least for the following:

17 (A) Services to eligible persons will be fur-
18 nished by the provider without discrimination
19 on the ground of race, national origin, income,
20 religion, age, sex or sexual orientation, disabil-
21 ity, handicapping condition, or (subject to the
22 professional qualifications of the provider) ill-
23 ness. Nothing in this subparagraph shall be
24 construed as requiring the provision of a type

1 or class of services which services are outside
2 the scope of the provider's normal practice.

3 (B) No charge will be made for any cov-
4 ered services other than for payment authorized
5 by this Act.

6 (C) The provider agrees to furnish such in-
7 formation as may be reasonably required by the
8 Board or a State health security program, in
9 accordance with uniform reporting standards
10 established under section 401(g)(1), for—

11 (i) quality review by designated enti-
12 ties;

13 (ii) the making of payments under
14 this Act (including the examination of
15 records as may be necessary for the ver-
16 ification of information on which payments
17 are based);

18 (iii) statistical or other studies re-
19 quired for the implementation of this Act;
20 and

21 (iv) such other purposes as the Board
22 or State may specify.

23 (D) The provider agrees not to bill the pro-
24 gram for any services for which benefits are not
25 available because of section 204(g).

1 (E) In the case of a provider that is not
2 an individual, the provider agrees not to employ
3 or use for the provision of health services any
4 individual or other provider who or which has
5 had a participation agreement under this sub-
6 section terminated for cause.

7 (F) In the case of a provider paid under a
8 fee-for-service basis under section 612, the pro-
9 vider agrees to submit bills and any required
10 supporting documentation relating to the provi-
11 sion of covered services within 30 days (or such
12 shorter period as a State health security pro-
13 gram may require) after the date of providing
14 such services.

15 (2) TERMINATION OF PARTICIPATION AGREE-
16 MENTS.—

17 (A) IN GENERAL.—Participation agree-
18 ments may be terminated, with appropriate no-
19 tice—

20 (i) by the Board or a State health se-
21 curity program for failure to meet the
22 requirements of this title, or

23 (ii) by a provider.

24 (B) TERMINATION PROCESS.—Providers
25 shall be provided notice and a reasonable oppor-

1 tunity to correct deficiencies before the Board
2 or a State health security program terminates
3 an agreement unless a more immediate termi-
4 nation is required for public safety or similar
5 reasons.

6 **SEC. 302. QUALIFICATIONS FOR PROVIDERS.**

7 (a) IN GENERAL.—A health care provider is consid-
8 ered to be qualified to provide covered services if the pro-
9 vider is licensed or certified and meets—

10 (1) all the requirements of State law to provide
11 such services,

12 (2) applicable requirements of Federal law to
13 provide such services, and

14 (3) any applicable standards established under
15 subsection (b).

16 (b) MINIMUM PROVIDER STANDARDS.—

17 (1) IN GENERAL.—The Board shall establish,
18 evaluate, and update national minimum standards to
19 assure the quality of services provided under this
20 Act and to monitor efforts by State health security
21 programs to assure the quality of such services. A
22 State health security program may also establish ad-
23 ditional minimum standards which providers must
24 meet.

1 (2) NATIONAL MINIMUM STANDARDS.—The na-
2 tional minimum standards under paragraph (1) shall
3 be established for institutional providers of services,
4 individual health care practitioners, and comprehen-
5 sive health service organizations. Except as the
6 Board may specify in order to carry out this title,
7 a hospital, nursing facility, or other institutional
8 provider of services shall meet standards for such a
9 facility under the medicare program under title
10 XVIII of the Social Security Act. Such standards
11 also may include, where appropriate, elements relat-
12 ing to—

- 13 (A) adequacy and quality of facilities;
14 (B) training and competence of personnel
15 (including continuing education requirements);
16 (C) comprehensiveness of service;
17 (D) continuity of service;
18 (E) patient satisfaction (including waiting
19 time and access to services); and
20 (F) performance standards (including or-
21 ganization, facilities, structure of services, effi-
22 ciency of operation, and outcome in palliation,
23 improvement of health, stabilization, cure, or
24 rehabilitation).

1 (3) TRANSITION IN APPLICATION.—If the
2 Board provides for additional requirements for pro-
3 viders under this subsection, any such additional re-
4 quirement shall be implemented in a manner that
5 provides for a reasonable period during which a pre-
6 viously qualified provider is permitted to meet such
7 an additional requirement.

8 (4) EXCHANGE OF INFORMATION.—The Board
9 shall provide for an exchange, at least annually,
10 among State health security programs of informa-
11 tion with respect to quality assurance and cost
12 containment.

13 **SEC. 303. QUALIFICATIONS FOR COMPREHENSIVE HEALTH**
14 **SERVICE ORGANIZATIONS.**

15 (a) IN GENERAL.—For purposes of this Act, a com-
16 prehensive health service organization (in this section re-
17 ferred to as a “CHSO”) is a public or private organization
18 which, in return for a capitated payment amount, under-
19 takes to furnish, arrange for the provision of, or provide
20 payment with respect to—

21 (1) a full range of health services (as identified
22 by the Board), including at least hospital services
23 and physicians services, and

24 (2) out-of-area coverage in the case of urgently
25 needed services,

1 to an identified population which is living in or near a
2 specified service area and which enrolls voluntarily in the
3 organization.

4 (b) ENROLLMENT.—

5 (1) IN GENERAL.—All eligible persons living in
6 or near the specified service area of a CHSO are eli-
7 gible to enroll in the organization; except that the
8 number of enrollees may be limited to avoid overtax-
9 ing the resources of the organization.

10 (2) MINIMUM ENROLLMENT PERIOD.—Subject
11 to paragraph (3), the minimum period of enrollment
12 with a CHSO shall be twelve months, unless the en-
13 rolled individual becomes ineligible to enroll with the
14 organization.

15 (3) WITHDRAWAL FOR CAUSE.—Each CHSO
16 shall permit an enrolled individual to disenroll from
17 the organization for cause at any time.

18 (c) REQUIREMENTS FOR CHSOs.—

19 (1) ACCESSIBLE SERVICES.—Each CHSO, to
20 the maximum extent feasible, shall make all services
21 readily and promptly accessible to enrollees who live
22 in the specified service area.

23 (2) CONTINUITY OF CARE.—Each CHSO shall
24 furnish services in such manner as to provide con-
25 tinuity of care and (when services are furnished by

1 different providers) shall provide ready referral of
2 patients to such services and at such times as may
3 be medically appropriate.

4 (3) BOARD OF DIRECTORS.—In the case of a
5 CHSO that is a private organization—

6 (A) CONSUMER REPRESENTATION.—At
7 least one-third of the members of the CHSO's
8 board of directors must be consumer members
9 with no direct or indirect, personal or family
10 financial relationship to the organization.

11 (B) PROVIDER REPRESENTATION.—The
12 CHSO's board of directors must include at
13 least one member who represents health care
14 providers.

15 (4) PATIENT GRIEVANCE PROGRAM.—Each
16 CHSO must have in effect a patient grievance pro-
17 gram and must conduct regularly surveys of the sat-
18 isfaction of members with services provided by or
19 through the organization.

20 (5) MEDICAL STANDARDS.—Each CHSO must
21 provide that a committee or committees of health
22 care practitioners associated with the organization
23 will promulgate medical standards, oversee the pro-
24 fessional aspects of the delivery of care, perform the
25 functions of a pharmacy and drug therapeutics com-

1 mittee, and monitor and review the quality of all
2 health services (including drugs, education, and pre-
3 ventive services).

4 (6) PREMIUMS.—Premiums or other charges by
5 a CHSO for any services not paid for under this Act
6 must be reasonable.

7 (7) UTILIZATION AND BONUS INFORMATION.—
8 Each CHSO must—

9 (A) comply with the requirements of sec-
10 tion 1876(i)(8) of the Social Security Act (re-
11 lating to prohibiting physician incentive plans
12 that provide specific inducements to reduce or
13 limit medically necessary services), and

14 (B) make available to its membership utili-
15 zation information and data regarding financial
16 performance, including bonus or incentive pay-
17 ment arrangements to practitioners.

18 (8) PROVISION OF SERVICES TO ENROLLEES AT
19 INSTITUTIONS OPERATING UNDER GLOBAL BUDG-
20 ETS.—The organization shall arrange to reimburse
21 for hospital services and other facility-based services
22 (as identified by the Board) for services provided to
23 members of the organization in accordance with the
24 global operating budget of the hospital or facility ap-
25 proved under section 611.

1 (9) BROAD MARKETING.—Each CHSO must
2 provide for the marketing of its services (including
3 dissemination of marketing materials) to potential
4 enrollees in a manner that is designed to enroll indi-
5 viduals representative of the different population
6 groups and geographic areas included within its
7 service area and meets such requirements as the
8 Board or a State health security program may
9 specify.

10 (10) ADDITIONAL REQUIREMENTS.—Each
11 CHSO must meet—

12 (A) such requirements relating to mini-
13 mum enrollment,

14 (B) such requirements relating to financial
15 solvency,

16 (C) such requirements relating to quality
17 and availability of care, and

18 (D) such other requirements,

19 as the Board or a State health security program
20 may specify.

21 (d) PROVISION OF EMERGENCY SERVICES TO
22 NONENROLLEES.—A CHSO may furnish emergency serv-
23 ices to persons who are not enrolled in the organization.
24 Payment for such services, if they are covered services to
25 eligible persons, shall be made to the organization unless

1 the organization requests that it be made to the individual
 2 provider who furnished the services.

3 **SEC. 304. LIMITATION ON CERTAIN PHYSICIAN REFERRALS.**

4 (a) APPLICATION TO AMERICAN HEALTH SECURITY
 5 PROGRAM.—Section 1877 of the Social Security Act, as
 6 amended by subsections (b) and (c), shall apply under this
 7 Act in the same manner as it applies under title XVIII
 8 of the Social Security Act; except that in applying such
 9 section under this Act any references in such section to
 10 the Secretary or title XVIII of the Social Security Act are
 11 deemed references to the Board and the American Health
 12 Security Program under this Act, respectively.

13 (b) EXPANSION OF PROHIBITION TO CERTAIN DES-
 14 IGNATED SERVICES.—Section 1877 of the Social Security
 15 Act (42 U.S.C. 1395nn) is amended—

16 (1) by striking “clinical laboratory services”
 17 and “CLINICAL LABORATORY SERVICES” and insert-
 18 ing “designated health services” and “DESIGNATED
 19 HEALTH SERVICES”, respectively, each place either
 20 appears in subsections (a)(1), (b)(2)(A)(ii)(I),
 21 (b)(4), (d)(1), (d)(2), and (d)(3);

22 (2) by adding at the end of such section the fol-
 23 lowing new subsection:

24 “(i) DESIGNATED HEALTH SERVICES DEFINED.—In
 25 this section, the term ‘designated health services’ means—

1 “(1) clinical laboratory services;

2 “(2) physical therapy services;

3 “(3) radiology services, including magnetic reso-
4 nance imaging, computerized axial tomography
5 scans, and ultrasound services;

6 “(4) radiation therapy services;

7 “(5) the furnishing of durable medical equip-
8 ment;

9 “(6) the furnishing of parenteral and enteral
10 nutrition equipment and supplies;

11 “(7) the furnishing of outpatient prescription
12 drugs;

13 “(8) ambulance services;

14 “(9) home infusion therapy services;

15 “(10) occupational therapy services; and

16 “(11) inpatient and outpatient hospital services
17 (including services furnished at a psychiatric or re-
18 habilitation hospital).”;

19 (3) in subsection (d)(2), by striking “labora-
20 tory” and by inserting “entity”;

21 (4) in subsection (g)(1), by striking “clinical
22 laboratory service” and by inserting “designated
23 health service”; and

1 (5) in subsection (h)(7)(B), by striking “clinical
2 laboratory service” and by inserting “designated
3 health service”.

4 (c) CONFORMING AMENDMENTS.—Such section is
5 further amended—

6 (1) in subsection (a)(1)(A), by striking “for
7 which payment otherwise may be made under this
8 title” and by inserting “for which a charge is
9 imposed”;

10 (2) in subsection (a)(1)(B), by striking “under
11 this title”;

12 (3) by amending paragraph (1) of subsection
13 (g) to read as follows:

14 “(1) DENIAL OF PAYMENT.—No payment may
15 be made under a State health security program for
16 a designated health service for which a claim is pre-
17 sented in violation of subsection (a)(1)(B). No indi-
18 vidual, third party payor, or other entity is liable for
19 payment for designated health services for which a
20 claim is presented in violation of such subsection.”;
21 and

22 (4) In subsection (g)(3), by striking “for which
23 payment may not be made under paragraph (1)”
24 and by inserting “for which such a claim may not
25 be presented under subsection (a)(1)”.

1 **TITLE IV—ADMINISTRATION**
2 **Subtitle A—General Administrative**
3 **Provisions**

4 **SEC. 401. AMERICAN HEALTH SECURITY STANDARDS**
5 **BOARD.**

6 (a) ESTABLISHMENT.—There is hereby established
7 an American Health Security Standards Board.

8 (b) APPOINTMENT AND TERMS OF MEMBERS.—

9 (1) IN GENERAL.—The Board shall be com-
10 posed of—

11 (A) the Secretary of Health and Human
12 Services, and

13 (B) 6 other individuals (described in para-
14 graph (2)) appointed by the President with the
15 advice and consent of the Senate.

16 The President shall first nominate individuals under
17 subparagraph (B) on a timely basis so as to provide
18 for the operation of the Board by not later than
19 January 1, 1994.

20 (2) SELECTION OF APPOINTED MEMBERS.—

21 With respect to the individuals appointed under
22 paragraph (1)(B):

23 (A) They shall be chosen on the basis of
24 backgrounds in health policy, health economics,

1 the healing professions, and the administration
2 of health care institutions.

3 (B) They shall provide a balanced point of
4 view with respect to the various health care in-
5 terests and at least two of them shall represent
6 the interests of individual consumers.

7 (C) Not more than three of them shall be
8 from the same political party.

9 (3) TERMS OF APPOINTED MEMBERS.—Individ-
10 uals appointed under paragraph (1)(B) shall serve
11 for a term of 6 years, except that the terms of 5 of
12 the individuals initially appointed shall be, as des-
13 ignated by the President at the time of their ap-
14 pointment, for 1, 2, 3, 4, and 5 years. During a
15 term of membership on the Board, no member shall
16 engage in any other business, vocation or employ-
17 ment.

18 (c) VACANCIES.—

19 (1) IN GENERAL.—The President shall fill any
20 vacancy in the membership of the Board in the same
21 manner as the original appointment. The vacancy
22 shall not affect the power of the remaining members
23 to execute the duties of the Board.

24 (2) VACANCY APPOINTMENTS.—Any member
25 appointed to fill a vacancy shall serve for the re-

1 mainder of the term for which the predecessor of the
2 member was appointed.

3 (3) REAPPOINTMENT.—The President may re-
4 appoint an appointed member of the Board for a
5 second term in the same manner as the original ap-
6 pointment. A member who has served for two con-
7 secutive 6-year terms shall not be eligible for re-
8 appointment until two years after the member has
9 ceased to serve.

10 (4) REMOVAL FOR CAUSE.—Upon confirmation,
11 members of the Board may not be removed except
12 by the President for cause.

13 (d) CHAIR.—The President shall designate one of the
14 members of the Board, other than the Secretary, to serve
15 at the will of the President as Chair of the Board.

16 (e) COMPENSATION.—Members of the Board (other
17 than the Secretary) shall be entitled to compensation at
18 a level equivalent to level II of the Executive Schedule,
19 in accordance with section 5313 of title 5, United States
20 Code.

21 (f) GENERAL DUTIES OF THE BOARD.—

22 (1) IN GENERAL.—The Board shall develop
23 policies, procedures, guidelines, and requirements to
24 carry out this Act, including those related to—

25 (A) eligibility;

1 (B) enrollment;

2 (C) benefits;

3 (D) provider participation standards and
4 qualifications, as defined in title III;

5 (E) national and State funding levels;

6 (F) methods for determining amounts of
7 payments to providers of covered services, con-
8 sistent with subtitle B of title VI;

9 (G) the determination of medical necessity
10 and appropriateness with respect to coverage of
11 certain services;

12 (H) assisting State health security pro-
13 grams with planning for capital expenditures
14 and service delivery;

15 (I) planning for health professional edu-
16 cation funding (as specified in title VI);

17 (J) allocating funds provided under title
18 VII; and

19 (K) encouraging States to develop regional
20 planning mechanisms (described in section
21 405(a)(3)).

22 (2) REGULATIONS.—Regulations authorized by
23 this Act shall be issued by the Board in accordance
24 with the provisions of section 553 of title 5, United
25 States Code.

1 (g) UNIFORM REPORTING STANDARDS; ANNUAL RE-
2 PORT; STUDIES.—

3 (1) UNIFORM REPORTING STANDARDS.—

4 (A) IN GENERAL.—The Board shall estab-
5 lish uniform reporting requirements and stand-
6 ards to ensure an adequate national data base
7 regarding health services practitioners, services
8 and finances of State health security programs,
9 approved plans, providers, and the costs of fa-
10 cilities and practitioners providing services.
11 Such standards shall include, to the maximum
12 extent feasible, health outcome measures.

13 (B) REPORTS.—The Board shall analyze
14 regularly information reported to it, and to
15 State health security programs pursuant to
16 such requirements and standards.

17 (2) ANNUAL REPORT.—Beginning January 1,
18 of the second year beginning after the date of the
19 enactment of this Act, the Board shall annually
20 report to Congress on the following:

21 (A) The status of implementation of the
22 Act.

23 (B) Enrollment under this Act.

24 (C) Benefits under this Act.

1 (D) Expenditures and financing under this
2 Act.

3 (E) Cost-containment measures and
4 achievements under this Act.

5 (F) Quality assurance.

6 (G) Health care utilization patterns, in-
7 cluding any changes attributable to the pro-
8 gram.

9 (H) Long-range plans and goals for the de-
10 livery of health services.

11 (I) Differences in the health status of the
12 populations of the different States, including in-
13 come and racial characteristics.

14 (J) Necessary changes in the education of
15 health personnel.

16 (K) Plans for improving service to medi-
17 cally underserved populations.

18 (L) Transition problems as a result of im-
19 plementation of this Act.

20 (M) Opportunities for improvements under
21 this Act.

22 (3) STATISTICAL ANALYSES AND OTHER STUD-
23 IES.—The Board may, either directly or by con-
24 tract—

1 (A) make statistical and other studies, on
2 a nationwide, regional, state, or local basis, of
3 any aspect of the operation of this Act, includ-
4 ing studies of the effect of the Act upon the
5 health of the people of the United States and
6 the effect of comprehensive health services upon
7 the health of persons receiving such services;

8 (B) develop and test methods of providing
9 through payment for services or otherwise, ad-
10 ditional incentives for adherence by providers to
11 standards of adequacy, access, and quality;
12 methods of consumer and peer review and peer
13 control of the utilization of drugs, of laboratory
14 services, and of other services; and methods of
15 consumer and peer review of the quality of serv-
16 ices;

17 (C) develop and test, for use by the Board,
18 records and information retrieval systems and
19 budget systems for health services administra-
20 tion, and develop and test model systems for
21 use by providers of services;

22 (D) develop and test, for use by providers
23 of services, records and information retrieval
24 systems useful in the furnishing of preventive
25 or diagnostic services;

1 (E) develop, in collaboration with the phar-
2 maceutical profession, and test, improved ad-
3 ministrative practices or improved methods for
4 the reimbursement of independent pharmacies
5 for the cost of furnishing drugs as a covered
6 service; and

7 (F) make such other studies as it may con-
8 sider necessary or promising for the evaluation,
9 or for the improvement, of the operation of this
10 Act.

11 (4) REPORT ON USE OF EXISTING FEDERAL
12 HEALTH CARE FACILITIES.—Not later than one year
13 after the date of the enactment of this Act, the
14 Board shall recommend to the Congress one or more
15 proposals for the treatment of health care facilities
16 of the Federal Government.

17 (h) EXECUTIVE DIRECTOR.—

18 (1) APPOINTMENT.—There is hereby estab-
19 lished the position of Executive Director of the
20 Board. The Director shall be appointed by the
21 Board and shall serve as secretary to the Board and
22 perform such duties in the administration of this
23 title as the Board may assign.

24 (2) DELEGATION.—The Board is authorized to
25 delegate to the Director or to any other officer or

1 employee of the Board or, with the approval of the
2 Secretary of Health and Human Services (and sub-
3 ject to reimbursement of identifiable costs), to any
4 other officer or employee of the Department of
5 Health and Human Services, any of its functions or
6 duties under this Act other than—

7 (A) the issuance of regulations; or

8 (B) the determination of the availability of
9 funds and their allocation to implement this
10 Act.

11 (3) COMPENSATION.—The Executive Director
12 of the Board shall be entitled to compensation at a
13 level equivalent to level III of the Executive Sched-
14 ule, in accordance with section 5314 of title 5,
15 United States Code.

16 (i) INSPECTOR GENERAL.—The Inspector General
17 Act of 1978 (5 U.S.C. App.) is amended—

18 (1) in section 11(1) by inserting after “Cor-
19 poration;” the following: “the Chair of the American
20 Health Security Standards Board;”;

21 (2) in section 11(2) by inserting after “Infor-
22 mation Agency,” the following: “the American
23 Health Security Standards Board;” and

24 (3) by inserting after section 8F the following:

1 **“§ 8G. Special provisions concerning American**
2 **Health Security Standards Board**

3 “The Inspector General of the American Health Se-
4 curity Standards Board, in addition to the other authori-
5 ties vested by this Act, shall have the same authority, with
6 respect to the Board and the American Health Security
7 Program under this Act, as the Inspector General for the
8 Department of Health and Human Services has with re-
9 spect to the Secretary of Health and Human Services and
10 the medicare and medicaid programs, respectively.”.

11 (j) STAFF.—The Board shall employ such staff as the
12 Board may deem necessary.

13 (k) ACCESS TO INFORMATION.—The Secretary of
14 Health and Human Services shall make available to the
15 Board all information available from sources within the
16 Department or from other sources, pertaining to the
17 duties of the Board.

18 **SEC. 402. AMERICAN HEALTH SECURITY ADVISORY COUN-**
19 **CIL.**

20 (a) IN GENERAL.—The Board shall provide for an
21 American Health Security Advisory Council (in this sec-
22 tion referred to as the “Council”) to advise the Board on
23 its activities.

24 (b) MEMBERSHIP.—The Council shall be composed
25 of—

1 (1) the Chair of the Board, who shall serve as
2 Chair of the Council, and

3 (2) twenty members, not otherwise in the em-
4 ploy of the United States, appointed by the Board
5 without regard to the provisions of title 5, United
6 States Code, governing appointments in the competi-
7 tive service.

8 The appointed members shall include, in accordance with
9 subsection (e), individuals who are representative of State
10 health security programs, public health professionals, pro-
11 viders of health services, and of individuals (who shall con-
12 stitute a majority of the Council) who are representative
13 of consumers of such services, including a balanced rep-
14 resentation of employers, unions, consumer organizations,
15 and population groups with special health care needs.

16 (c) TERMS OF MEMBERS.—Each appointed member
17 shall hold office for a term of four years, except that—

18 (1) any member appointed to fill a vacancy oc-
19 curring during the term for which the member's
20 predecessor was appointed shall be appointed for the
21 remainder of that term; and

22 (2) the terms of the members first taking office
23 shall expire, as designated by the Board at the time
24 of appointment, five at the end of the first year, five
25 at the end of the second year, five at the end of the

1 third year, and five at the end of the fourth year
2 after the date of enactment of this Act.

3 (d) VACANCIES.—

4 (1) IN GENERAL.—The Board shall fill any va-
5 cancy in the membership of the Council in the same
6 manner as the original appointment. The vacancy
7 shall not affect the power of the remaining members
8 to execute the duties of the Council.

9 (2) VACANCY APPOINTMENTS.—Any member
10 appointed to fill a vacancy shall serve for the re-
11 mainder of the term for which the predecessor of the
12 member was appointed.

13 (3) REAPPOINTMENT.—The Board may re-
14 appoint an appointed member of the Council for a
15 second term in the same manner as the original
16 appointment.

17 (e) QUALIFICATIONS.—

18 (1) PUBLIC HEALTH REPRESENTATIVES.—
19 Members of the Council who are representative of
20 State health security programs and public health
21 professionals shall be individuals who have extensive
22 experience in the financing and delivery of care
23 under public health programs.

24 (2) PROVIDERS.—Members of the Council who
25 are representative of providers of health care shall

1 be individuals who are outstanding in fields related
2 to medical, hospital, or other health activities, or
3 who are representative of organizations or associa-
4 tions of professional health practitioners.

5 (3) CONSUMERS.—Members who are represent-
6 ative of consumers of such care shall be individuals,
7 not engaged in and having no financial interest in
8 the furnishing of health services, who are familiar
9 with the needs of various segments of the population
10 for personal health services and are experienced in
11 dealing with problems associated with the consump-
12 tion of such services.

13 (f) DUTIES.—

14 (1) IN GENERAL.—It shall be the duty of the
15 Council—

16 (A) to advise the Board on matters of gen-
17 eral policy in the administration of this Act, in
18 the formulation of regulations, and in the per-
19 formance of the Board's duties under section
20 401; and

21 (B) to study the operation of this Act and
22 the utilization of health services under it, with
23 a view to recommending any changes in the ad-
24 ministration of the Act or in its provisions
25 which may appear desirable.

1 (2) REPORT.—The Council shall make an an-
2 nual report to the Board on the performance of its
3 functions, including any recommendations it may
4 have with respect thereto, and the Board shall
5 promptly transmit the report to the Congress, to-
6 gether with a report by the Board on any rec-
7 ommendations of the Council that have not been
8 followed.

9 (g) STAFF.—The Council, its members, and any com-
10 mittees of the Council shall be provided with such sec-
11 retarial, clerical, or other assistance as may be authorized
12 by the Board for carrying out their respective functions.

13 (h) MEETINGS.—The Council shall meet as fre-
14 quently as the Board deems necessary, but not less than
15 four times each year. Upon request by seven or more mem-
16 bers it shall be the duty of the Chair to call a meeting
17 of the Council.

18 (i) COMPENSATION.—Members of the Council shall
19 be reimbursed by the Board for travel and per diem in
20 lieu of subsistence expenses during the performance of du-
21 ties of the Board in accordance with subchapter I of chap-
22 ter 57 of title 5, United States Code.

23 (j) FACA NOT APPLICABLE.—The provisions of the
24 Federal Advisory Committee Act shall not apply to the
25 Council.

1 **SEC. 403. PROFESSIONAL, TECHNICAL, AND TEMPORARY**
2 **ADVISORY COMMITTEES.**

3 (a) IN GENERAL.—The Board shall appoint the
4 standing advisory committees specified in subsections (b)
5 through (f), and such other standing professional and
6 technical committees in order to advise it in carrying out
7 its duties under this Act.

8 (b) ADVISORY COMMITTEE ON BENEFITS.—

9 (1) IN GENERAL.—The Board shall appoint a
10 standing Advisory Committee on Benefits to advise
11 it with respect to the several classes of covered
12 services under this Act.

13 (2) MEMBERSHIP.—The membership of the
14 committee shall include individuals (in such number
15 as the Board may determine) drawn from the health
16 professions, from consumers of health services, from
17 providers of health services (including non-medical
18 licensed and non-licensed providers), or from other
19 sources, whom the Board deems best qualified to ad-
20 vise it with respect to the professional and technical
21 aspects of the furnishing and utilization of, and the
22 evaluation of, a class of covered services designated
23 by the Board, and with respect to the relationship
24 of that class of services to other covered services. In
25 appointing such individuals, the Board shall assure

1 significant representation of consumers of health
2 services and providers of health services.

3 (c) ADVISORY COMMITTEE ON COST CONTAIN-
4 MENT.—

5 (1) IN GENERAL.—The Board shall appoint a
6 standing Advisory Committee on Cost Containment
7 to advise it with respect to the payments and cost
8 containment measures contained in title VI of this
9 Act.

10 (2) MEMBERSHIP.—The membership of the
11 committee shall include individuals (in such number
12 as the Board may determine) with national recogni-
13 tion for their expertise in health economics, health
14 care financing, provider reimbursement, and related
15 fields. In appointing individuals the Board shall as-
16 sure significant representation of consumers of
17 health services and providers of health services.

18 (d) ADVISORY COMMITTEE ON PRIMARY CARE AND
19 THE MEDICALLY UNDERSERVED.—

20 (1) IN GENERAL.—The Board shall appoint a
21 standing Advisory Committee on Primary Care and
22 the Medically Underserved to advise it with respect
23 to title VII of this Act, including with respect to the
24 delivery of services and the education and training
25 of health professionals, and to consider means of in-

1 creasing the supply and expanding the scope of
2 practice of mid-level professionals and the use of
3 community health outreach workers and other non-
4 professional health care workers.

5 (2) MEMBERSHIP.—The membership of the
6 committee shall include individuals (in such number
7 as the Board may determine) from the health pro-
8 fessions and health services with expertise in—

9 (A) primary care services;

10 (B) the education and training of primary
11 care practitioners;

12 (C) the special health needs of medically
13 underserved populations;

14 (D) the training, educational, and financial
15 incentives that would encourage health practi-
16 tioners to serve in medically underserved areas;

17 (E) the delivery of health services through
18 community-based and public facilities; and

19 (F) developing alternative models of deliv-
20 ering primary health services to medically un-
21 derserved populations.

22 In appointing such individuals, the Board shall as-
23 sure significant representation of consumers of
24 health services and providers of health services.

1 (e) ADVISORY COMMITTEE ON MENTAL HEALTH AND
2 SUBSTANCE ABUSE TREATMENT SERVICES.—

3 (1) IN GENERAL.—The Board shall appoint a
4 standing Advisory Committee on Mental Health and
5 Substance Abuse Treatment Services to advise it
6 with respect to the manner in which the benefits
7 under this Act for mental health services and sub-
8 stance abuse treatment services should be modified
9 to best meet the objectives of this Act.

10 (2) MEMBERSHIP.—The membership of the
11 committee shall include individuals (in such number
12 as the Board may determine) with expertise in
13 health care economics, who are representative of the
14 multi-disciplinary range of providers of such serv-
15 ices, who are consumers of such services, and who
16 represent advocacy groups representing consumers
17 of such services.

18 (3) RESPONSIBILITIES.—The committee shall—

19 (A) study changes in the utilization pat-
20 terns and costs which accompany the provision
21 of mental health services and substance abuse
22 treatment services;

23 (B) study and make recommendations on
24 any changes that may be advisable in the utili-

1 zation review thresholds specified in section
2 204(b)(2)(A);

3 (C) make recommendations on ways to cre-
4 ate a continuum of care and encourage the pro-
5 vision of care in the least restrictive appropriate
6 setting;

7 (D) develop a standard set of practices for
8 care coordination services, including—

9 (i) the range of care coordination
10 services that should be offered for a spe-
11 cific target population,

12 (ii) the organizational structure in
13 which care coordination services should be
14 based,

15 (iii) the minimum training require-
16 ments for care coordinators, and

17 (iv) the standards for the clinical ne-
18 cessity of care coordination services,

19 and study (and make recommendations con-
20 cerning) peer care coordination services; and

21 (E) report any initial recommendations to
22 the Board by January 1, 1995.

23 (4) ROLE OF SUBSTANCE ABUSE AND MENTAL
24 HEALTH SERVICES ADMINISTRATION.—The Board
25 shall consult with the Administrator of the Sub-

1 stance Abuse and Mental Health Services Adminis-
2 tration in the appointment of members to, and
3 operation of, the committee.

4 (f) ADVISORY COMMITTEE ON PRESCRIPTION
5 DRUGS.—

6 (1) IN GENERAL.—The Board shall appoint a
7 standing Advisory Committee on Prescription Drugs
8 to advise it with respect to the list of approved pre-
9 scription drugs and biologicals under section
10 616(a)(1) and other matters relating to the coverage
11 of prescription drugs under this Act.

12 (2) MEMBERSHIP.—

13 (A) IN GENERAL.—The membership of the
14 committee shall include individuals (in such
15 number as the Board may determine) with ex-
16 pertise in appropriate utilization of prescription
17 and nonprescription drug and biological thera-
18 pies and of the relative safety and efficacy of
19 prescription drugs and biologicals.

20 (B) AREAS OF EXPERTISE.—A majority of
21 the members of the committee shall be physi-
22 cians. Members of the committee shall include
23 at least a dentist, a nurse, and a pharmacist,
24 and individuals with special knowledge or exper-
25 tise in at least the following areas: geriatric, ob-

1 stetric, pediatric, psychiatric, and neurological
2 problems associated with drug therapies; clinical
3 pharmacology; pharmacoepidemiology; and
4 comparative clinical trials of drugs (including
5 statisticians and biopharmaceutic specialists).

6 (C) CONFLICT OF INTEREST PROHIBI-
7 TION.—No individual who is an employee of a
8 manufacturer of a drug or biological or who
9 otherwise has a material financial interest di-
10 rectly or indirectly with respect to such a manu-
11 facturer, or who has an immediate family mem-
12 ber (as defined by the Board) who is such an
13 employee or has such an interest, shall serve as
14 a member of the committee.

15 (3) RESPONSIBILITIES.—The committee shall—

16 (A) continuously review scientific and med-
17 ical information pertaining to the relative safety
18 and efficacy, and the comparability, of prescrip-
19 tion drugs and biologicals approved for market-
20 ing in the United States; and

21 (B) recommend drug use classifications
22 and identify, within such a classification, drugs
23 that are therapeutic alternates for a given indi-
24 cation and indications for which particular
25 drugs are superior based on safety and efficacy.

1 The committee is not authorized to engage in drug
2 price negotiations nor define acceptable costs for any
3 product.

4 (4) CONSUMER INPUT.—In conducting its ac-
5 tivities, the committee shall solicit advice and com-
6 ments from a panel of consumer advocates.

7 (g) TEMPORARY COMMITTEES.—The Board is au-
8 thorized to appoint such temporary professional and tech-
9 nical committees as it deems necessary to advise it on spe-
10 cial problems not encompassed in the assignments of
11 standing committees appointed under this section or to
12 supplement the advice of standing committees.

13 (h) REPORTING.—Committees appointed under this
14 section shall report from time to time (but not less often
15 than biannually) to the Board, and copies of their reports
16 shall be transmitted by the Board to the American Health
17 Security Advisory Council and be made readily available
18 to the public.

19 (i) COMPENSATION.—All members of the committees
20 established under this section shall be reimbursed by the
21 Board for travel and per diem in lieu of subsistence ex-
22 penses during the performance of duties of the Board in
23 accordance with subchapter I of chapter 57 of title 5,
24 United States Code.

1 (j) ADVICE FROM PROSPECTIVE PAYMENT ASSESS-
2 MENT COMMISSION, PRACTITIONER PAYMENT REVIEW
3 COMMISSION, ETC.—For provisions relating to role of cer-
4 tain commissions in reviewing payment rates, see section
5 620.

6 **SEC. 404. AMERICAN HEALTH SECURITY QUALITY COUNCIL.**

7 (a) ESTABLISHMENT.—There is hereby established
8 an American Health Security Quality Council.

9 (b) APPOINTMENT AND TERMS OF MEMBERS.—

10 (1) IN GENERAL.—The Council shall be com-
11 posed of 10 members appointed by the President.
12 The President shall first appoint individuals on a
13 timely basis so as to provide for the operation of the
14 Council by not later than January 1, 1994.

15 (2) SELECTION OF MEMBERS.—Each member
16 of the Council shall be a member of a health profes-
17 sion. Six members of the Council shall be physicians.
18 Individuals shall be appointed to the Council on the
19 basis of national reputations for clinical and aca-
20 demic excellence.

21 (3) TERMS OF MEMBERS.—Individuals ap-
22 pointed to the Council shall serve for a term of 5
23 years, except that the terms of 4 of the individuals
24 initially appointed shall be, as designated by the

1 President at the time of their appointment, for 1, 2,
2 3, and 4 years.

3 (c) VACANCIES.—

4 (1) IN GENERAL.—The President shall fill any
5 vacancy in the membership of the Council in the
6 same manner as the original appointment. The va-
7 cancy shall not affect the power of the remaining
8 members to execute the duties of the Council.

9 (2) VACANCY APPOINTMENTS.—Any member
10 appointed to fill a vacancy shall serve for the re-
11 mainder of the term for which the predecessor of the
12 member was appointed.

13 (3) REAPPOINTMENT.—The President may re-
14 appoint a member of the Council for a second term
15 in the same manner as the original appointment. A
16 member who has served for two consecutive 5-year
17 terms shall not be eligible for reappointment until
18 two years after the member has ceased to serve.

19 (d) CHAIR.—The President shall designate one of the
20 members of the Council to serve at the will of the Presi-
21 dent as Chair of the Council.

22 (e) COMPENSATION.—Members of the Council who
23 are not employees of the Federal Government shall be en-
24 titled to compensation at a level equivalent to level II of

1 the Executive Schedule, in accordance with section 5313
2 of title 5, United States Code.

3 (f) GENERAL DUTIES OF THE COUNCIL.—The Coun-
4 cil is responsible for quality review activities under title
5 V. The Council shall report to the Board annually on the
6 conduct of activities under such title and shall report to
7 the Board annually specifically on findings from outcomes
8 research and development of practice guidelines that may
9 affect the Board's determination of coverage of services
10 under section 401(f)(1)(G).

11 **SEC. 405. STATE HEALTH SECURITY PROGRAMS.**

12 (a) SUBMISSION OF PLANS.—

13 (1) IN GENERAL.—Each State shall submit to
14 the Board a plan for a State health security pro-
15 gram for providing for health care services to the
16 residents of the State in accordance with this Act.

17 (2) REGIONAL PROGRAMS.—A State may join
18 with one or more neighboring States to submit to
19 the Board a plan for a regional health security pro-
20 gram instead of separate State health security
21 programs.

22 (3) REGIONAL PLANNING MECHANISMS.—The
23 Board shall provide incentives for States to develop
24 regional planning mechanisms to promote the ration-
25 al distribution of, adequate access to, and efficient

1 use of, tertiary care facilities, equipment, and
2 services.

3 (b) REVIEW AND APPROVAL OF PLANS.—

4 (1) IN GENERAL.—The Board shall review
5 plans submitted under subsection (a) and determine
6 whether such plans meet the requirements for ap-
7 proval. The Board shall not approve such a plan un-
8 less it finds that the plan (or State law) provides,
9 consistent with the provisions of this Act, for the
10 following:

11 (A) Payment for required health services
12 for eligible individuals in the State in accord-
13 ance with this Act.

14 (B) Adequate administration, including the
15 designation of a single State agency responsible
16 for the administration (or supervision of the
17 administration) of the program.

18 (C) The establishment of a State health
19 security budget.

20 (D) Establishment of payment methodolo-
21 gies (consistent with subtitle B of title VII).

22 (E) Assurances that individuals have the
23 freedom to choose practitioners and other
24 health care providers for services covered under
25 this Act.

1 (F) A procedure for carrying out long-term
2 regional management and planning functions
3 with respect to the delivery and distribution of
4 health care services that—

5 (i) ensures participation of consumers
6 of health services and providers of health
7 services, and

8 (ii) gives priority to the most acute
9 shortages and maldistributions of health
10 personnel and facilities and the most seri-
11 ous deficiencies in the delivery of covered
12 services and to the means for the speedy
13 alleviation of these shortcomings.

14 (G) The licensure and regulation of all
15 health providers and facilities to ensure compli-
16 ance with Federal and State laws and to
17 promote quality of care.

18 (H) Establishment of a quality review sys-
19 tem in accordance with section 502.

20 (I) Establishment of an independent om-
21 budsman for consumers to register complaints
22 about the organization and administration of
23 the State health security program and to help
24 resolve complaints and disputes between con-
25 sumers and providers.

1 (J) Publication of an annual report on the
2 operation of the State health security program,
3 which report shall include information on cost,
4 progress towards achieving full enrollment, pub-
5 lic access to health services, quality review,
6 health outcomes, health professional training,
7 and the needs of medically underserved popu-
8 lations.

9 (K) Provision of a fraud and abuse preven-
10 tion and control unit that the Inspector General
11 determines meets the requirements of section
12 413(a).

13 (L) Provision that—

14 (i) all claims or requests for payment
15 for services shall be accompanied by the
16 unique provider identifier assigned under
17 section 414(a) to the provider and the
18 unique patient identifier assigned to the
19 individual under section 414(b);

20 (ii) no payment shall be made under
21 the program for the provision of health
22 care services by any provider unless the
23 provider has furnished the program with
24 the unique provider identifier assigned
25 under section 414(a);

1 (iii) the plan shall use the unique pa-
2 tient identifier assigned under section
3 414(b) to an individual as the identifier of
4 the individual in the processing of claims
5 and other purposes (as specified by the
6 Board); and

7 (iv) queries made under section
8 412(c)(2) shall be made using the unique
9 provider identifier specified under section
10 414(a).

11 (M) Prohibit payment in cases of prohib-
12 ited physician referrals under section 304.

13 (N) Effective January 1, 2000, provide for
14 use of a uniform electronic data base in accord-
15 ance with section 504(a).

16 (O) Effective as of January 1, 1997, im-
17 plement malpractice reform provisions in ac-
18 cordance with section 801.

19 (2) CONSEQUENCES OF FAILURE TO COMPLY.—
20 If the Board finds that a State plan submitted
21 under paragraph (1) does not meet the requirements
22 for approval under this section or that a State
23 health security program or specific portion of such
24 program, the plan for which was previously ap-
25 proved, no longer meets such requirements, the

1 Board shall provide notice to the State of such fail-
2 ure and that unless corrective action is taken within
3 a period specified by the Board, the Board shall
4 place the State health security program (or specific
5 portions of such program) in receivership under the
6 jurisdiction of the Board.

7 (c) STATE HEALTH SECURITY ADVISORY COUN-
8 CILS.—

9 (1) IN GENERAL.—For each State, the Gov-
10 ernor shall provide for appointment of a State
11 Health Security Advisory Council to advise and
12 make recommendations to the Governor and State
13 with respect to the implementation of the State
14 health security program in the State.

15 (2) MEMBERSHIP.—Each State Health Security
16 Advisory Council shall be composed of at least 11 in-
17 dividuals. The appointed members shall include indi-
18 viduals who are representative of the State health
19 security program, public health professionals, provid-
20 ers of health services, and of individuals (who shall
21 constitute a majority) who are representative of con-
22 sumers of such services, including a balanced
23 representation of employers, unions and consumer
24 organizations.

25 (3) DUTIES.—

1 (A) IN GENERAL.—Each State Health Se-
2 curity Advisory Council shall review, and sub-
3 mit comments to the Governor concerning the
4 implementation of the State health security pro-
5 gram in the State.

6 (B) ASSISTANCE.—Each State Health Se-
7 curity Advisory Council shall provide assistance
8 and technical support to community organiza-
9 tions and public and private non-profit agencies
10 submitting applications for funding under ap-
11 propriate State and Federal public health pro-
12 grams, with particular emphasis placed on as-
13 sisting those applicants with broad consumer
14 representation.

15 (d) STATE USE OF FISCAL AGENTS.—

16 (1) IN GENERAL.—Each State health security
17 program, using competitive bidding procedures, may
18 enter into such contracts with qualified entities, such
19 as voluntary associations, as the State determines to
20 be appropriate to process claims and to perform
21 other related functions of fiscal agents under the
22 State health security program.

23 (2) RESTRICTION.—Except as the Board may
24 provide for good cause shown, in no case may more

1 than one contract described in paragraph (1) be
2 entered into under a State health security program.

3 **SEC. 406. COMPLEMENTARY CONDUCT OF RELATED**
4 **HEALTH PROGRAMS.**

5 In performing functions with respect to health per-
6 sonnel education and training, health research, environ-
7 mental health, disability insurance, vocational rehabilita-
8 tion, the regulation of food and drugs, and all other mat-
9 ters pertaining to health, the Secretary of Health and
10 Human Services shall direct all activities of the Depart-
11 ment of Health and Human Services toward contributions
12 to the health of the people complementary to this Act.

13 **Subtitle B—Control Over Fraud**
14 **and Abuse**

15 **SEC. 411. APPLICATION OF FEDERAL SANCTIONS TO ALL**
16 **FRAUD AND ABUSE UNDER AMERICAN**
17 **HEALTH SECURITY PROGRAM.**

18 The following sections of the Social Security Act shall
19 apply to State health security programs in the same man-
20 ner as they apply to State medical assistance plans under
21 title XIX of such Act (except that in applying such provi-
22 sions any reference to the Secretary is deemed a reference
23 to the Board):

24 (1) Section 1128 (relating to exclusion of indi-
25 viduals and entities).

1 (2) Section 1128A (civil monetary penalties).

2 (3) Section 1128B (criminal penalties).

3 (4) Section 1124 (relating to disclosure of own-
4 ership and related information).

5 (5) Section 1126 (relating to disclosure of cer-
6 tain owners).

7 **SEC. 412. NATIONAL HEALTH CARE FRAUD DATA BASE.**

8 (a) ESTABLISHMENT.—The American Health Secu-
9 rity Standards Board, through the Inspector General,
10 shall establish a national data base (in this section
11 referred to as the “data base”) containing information
12 relating to health care fraud and abuse.

13 (b) DATA INCLUDED.—

14 (1) IN GENERAL.—The data base shall include
15 such information as the Inspector General, in con-
16 sultation with the Board, shall specify, and shall
17 include at least the information described in
18 paragraph (2).

19 (2) SPECIFIED INFORMATION.—The informa-
20 tion specified in this paragraph is, with respect to
21 providers of health care services, the identity of any
22 provider—

23 (A) that has been convicted of a crime for
24 which the provider may be excluded from par-

1 ticipation under a health program (as defined
2 in paragraph (3));

3 (B) whose license to provide health care
4 has been revoked or suspended (as described in
5 section 1128(b)(5) of the Social Security Act);

6 (C) that has been excluded or suspended
7 from a health program under section 1128 of
8 the Social Security Act or from any other
9 Federal or State health care program;

10 (D) with respect to whom a civil money
11 penalty has been imposed under this Act or the
12 Social Security Act; or

13 (E) that otherwise is subject to exclusion
14 from participation under a health program .

15 (3) HEALTH PROGRAM DEFINED.—In this sec-
16 tion, the term “health program” means a State
17 health security program and includes the medicare
18 program (under title XVIII of the Social Security
19 Act) and a State health care program (as defined in
20 section 1128(h) of such Act).

21 (c) REPORTING REQUIREMENT.—

22 (1) REPORTING.—Each State health security
23 program shall provide such information to the In-
24 spector General as the Inspector General may re-
25 quire in order to carry out fraud and abuse control

1 activities and for purposes of maintaining the data
2 base.

3 (2) QUERYING.—In accordance with rules es-
4 tablished by the Board (in consultation with the In-
5 spector General), each State health security program
6 shall query periodically (as specified by the Inspector
7 General)—

8 (A) the data base to determine if providers
9 of health services for which the program makes
10 payment are not disqualified from providing
11 such services, and

12 (B) the Secretary of Health and Human
13 Services, concerning information obtained by
14 the Secretary under part B of the Health Care
15 Quality Improvement Act of 1986 relating to
16 practitioners.

17 (3) COORDINATION WITH MALPRACTICE DATA
18 BASE.—The Secretary of Health and Human Serv-
19 ices shall provide for the coordination of the report-
20 ing and disclosure of information under this section
21 with information under part B of the Health Care
22 Quality Improvement Act of 1986.

23 (4) UNIFORM MANNER.—Information shall be
24 reported under this subsection in a uniform manner
25 (in accordance with standards of the Inspector Gen-

1 eral) that permits aggregation of reported informa-
2 tion.

3 (5) ACCESS FOR AUDIT.—Each State health se-
4 curity program shall provide the Inspector General
5 such access to information as may be required to
6 verify the information reported under this sub-
7 section.

8 (6) PENALTY FOR FALSE INFORMATION.—Any
9 person that submits false information required to be
10 provided under this subsection or that denies access
11 to information under paragraph (5) may be impris-
12 oned for not more than 5 years, or fined, or both,
13 in accordance with title 18, United States Code.

14 (7) CONFIDENTIALITY.—The Board shall estab-
15 lish rules that protect the confidentiality of the
16 information in the data base.

17 **SEC. 413. REQUIREMENTS FOR OPERATION OF STATE**
18 **HEALTH CARE FRAUD AND ABUSE CONTROL**
19 **UNITS.**

20 (a) REQUIREMENT.—In order to meet the require-
21 ment of section 405(b)(1)(K), each State health security
22 program must establish and maintain a health care fraud
23 and abuse control unit (in this section referred to as a
24 “fraud unit”) that meets requirements of this section and
25 other requirements of the Board. Such a unit may be a

1 State medicaid fraud control unit (described in section
2 1903(q) of the Social Security Act).

3 (b) STRUCTURE OF UNIT.—The fraud unit must—

4 (1) be a single identifiable entity of the State
5 government;

6 (2) be separate and distinct from the State
7 agency with principal responsibility for the adminis-
8 tration of the State health security program; and

9 (3) meet 1 of the following requirements:.

10 (A) It must be a unit of the office of the
11 State Attorney General or of another depart-
12 ment of State government which possesses
13 statewide authority to prosecute individuals for
14 criminal violations.

15 (B) If it is in a State the constitution of
16 which does not provide for the criminal prosecu-
17 tion of individuals by a statewide authority and
18 has formal procedures, approved by the Board,
19 that (i) assure its referral of suspected criminal
20 violations relating to the State health insurance
21 plan to the appropriate authority or authorities
22 in the States for prosecution, and (ii) assure its
23 assistance of, and coordination with, such au-
24 thority or authorities in such prosecutions.

1 (C) It must have a formal working rela-
2 tionship with the office of the State Attorney
3 General and have formal procedures (including
4 procedures for its referral of suspected criminal
5 violations to such office) which are approved by
6 the Board and which provide effective coordina-
7 tion of activities between the fraud unit and
8 such office with respect to the detection, inves-
9 tigation, and prosecution of suspected criminal
10 violations relating to the State health insurance
11 plan.

12 (c) FUNCTIONS.—The fraud unit must—

13 (1) have the function of conducting a statewide
14 program for the investigation and prosecution of vio-
15 lations of all applicable State laws regarding any
16 and all aspects of fraud in connection with any as-
17 pect of the provision of health care services and ac-
18 tivities of providers of such services under the State
19 health security program;

20 (2) have procedures for reviewing complaints of
21 the abuse and neglect of patients of providers and
22 facilities that receive payments under the State
23 health security program, and, where appropriate, for
24 acting upon such complaints under the criminal laws

1 of the State or for referring them to other State
2 agencies for action; and

3 (3) provide for the collection, or referral for col-
4 lection to a single State agency, of overpayments
5 that are made under the State health security pro-
6 gram to providers and that are discovered by the
7 fraud unit in carrying out its activities.

8 (d) RESOURCES.—The fraud unit must—

9 (1) employ such auditors, attorneys, investiga-
10 tors, and other necessary personnel,

11 (2) be organized in such a manner, and

12 (3) provide sufficient resources (as specified by
13 the Board),

14 as is necessary to promote the effective and efficient con-
15 duct of the unit's activities.

16 (e) COOPERATIVE AGREEMENTS.—The fraud unit
17 must have cooperative agreements (as specified by the
18 Board) with—

19 (1) similar fraud units in other States,

20 (2) the Inspector General, and

21 (3) the Attorney General of the United States.

22 (f) REPORTS.—The fraud unit must submit to the
23 Inspector General an application and annual reports con-
24 taining such information as the Inspector General deter-

1 mines to be necessary to determine whether the unit meets
2 the previous requirements of this section.

3 **SEC. 414. ASSIGNMENT OF UNIQUE PROVIDER AND PA-**
4 **TIENT IDENTIFIERS.**

5 (a) PROVIDER IDENTIFIERS.—

6 (1) IN GENERAL.—The Board shall provide for
7 the assignment, to each individual or entity provid-
8 ing health care services under a State health secu-
9 rity program, of a unique provider identifier.

10 (2) RESPONSE TO QUERIES.—Upon the request
11 of a State health security program with respect to
12 a provider, the Board shall provide the program with
13 the unique provider identifier (if any) assigned to
14 the provider under paragraph (1).

15 (b) PATIENT IDENTIFIERS.—The Board shall provide
16 for the assignment, to each eligible individual, of a unique
17 patient identifier. The identifier so assigned may be the
18 Social Security account number of the individual.

19 (c) REQUIREMENT TO USE IDENTIFIERS.—Each
20 State health security program is required under section
21 405(b)(1)(L) to use the unique identifiers assigned under
22 this section.

1 **TITLE V—QUALITY ASSESSMENT**

2 **SEC. 501. FUNCTIONS OF QUALITY COUNCIL; DEVELOP-**
3 **MENT OF PRACTICE GUIDELINES AND APPLI-**
4 **CATION TO OUTLIERS.**

5 (a) DEVELOPMENT OF PRACTICE GUIDELINES.—The
6 American Health Security Quality Council (in this title
7 referred to as the “Council”)—

8 (1) shall collect data from outcomes research,
9 including data on patient satisfaction and post-hos-
10 pital discharge experience, on an ongoing basis
11 (whether conducted by the Federal Government or
12 other entities), and

13 (2) on the basis of such data and existing
14 clinical knowledge, shall develop practice guidelines.
15 Such guidelines may vary based upon the area in which
16 the services are provided and the degree of training, spe-
17 cialization, or similar characteristics of providers. Such
18 guidelines must be updated on an annual basis and based
19 on monitoring of outcomes research and other clinical
20 data. Such guidelines shall be based on the degree to
21 which a process of care increases the probability of desired
22 patient outcomes.

23 (b) PROFILING OF PATTERNS OF PRACTICE; IDENTI-
24 FICATION OF OUTLIERS.—The Council shall adopt meth-
25 odologies for profiling the patterns of practice of health

1 care professionals and for identifying outliers (as defined
2 in subsection (f)).

3 (c) CENTERS OF EXCELLENCE.—The Council shall
4 develop guidelines for certain medical procedures des-
5 ignated by the Board to be performed only at tertiary care
6 centers which can meet standards for frequency of proce-
7 dure performance and intensity of support mechanisms
8 that are consistent with the high probability of desired pa-
9 tient outcome. Reimbursement under this Act for such a
10 designated procedure may only be provided if the
11 procedure was performed at a center that meets such
12 standards.

13 (d) REMEDIAL ACTIONS.—The Council shall develop
14 standards for education and sanctions with respect to
15 outliers so as to assure the quality of health care services
16 provided under this Act.

17 (e) DISSEMINATION.—The Council shall disseminate
18 to the State—

19 (1) the guidelines developed under subsections

20 (a) and (c),

21 (2) the methodologies adopted under subsection

22 (b), and

23 (3) the standards developed under subsection

24 (d),

25 for use by the States under section 502.

1 (f) OUTLIER DEFINED.—In this title, the term
2 “outlier” means a health care provider whose pattern of
3 practice, relative to applicable practice guidelines, suggests
4 deficiencies in the quality of health care services being
5 provided.

6 **SEC. 502. STATE QUALITY REVIEW PROGRAMS.**

7 (a) REQUIREMENT.—In order to meet the require-
8 ment of section 405(b)(1)(H), each State health security
9 program shall establish one or more qualified entities to
10 conduct quality reviews of persons providing covered serv-
11 ices under the program, in accordance with standards es-
12 tablished under subsection (b)(1) (except as provided in
13 subsection (b)(2)) and subsection (d).

14 (b) FEDERAL STANDARDS.—

15 (1) IN GENERAL.—The Council shall establish
16 standards with respect to—

17 (A) the adoption of practice guidelines (de-
18 veloped under section 501(a)),

19 (B) the identification of outliers (consist-
20 ent with methodologies adopted under section
21 501(b)),

22 (C) the development of remedial programs
23 and monitoring for outliers, and

1 (D) the application of sanctions (consistent
2 with the standards developed under section
3 501(c)).

4 (2) STATE DISCRETION.—A State may apply
5 under subsection (a) standards other than those es-
6 tablished under paragraph (1) so long as the State
7 demonstrates to the satisfaction of the Council on an
8 annual basis that the standards applied have been as
9 efficacious in promoting and achieving improved
10 quality of care as the application of the standards
11 established under paragraph (1). Positive improve-
12 ments in quality shall be documented by reductions
13 in the variations of clinical care process and
14 improvement in patient outcomes.

15 (c) QUALIFICATIONS.—

16 (1) IN GENERAL.—An entity is not qualified to
17 conduct quality reviews under subsection (a) unless
18 the entity—

19 (A) is administratively independent of the
20 individual or board that administers the State
21 health security program, and

22 (B) does not provide any financial incen-
23 tive to reviewers to favor one pattern of practice
24 over another.

1 (2) PROVIDER-SPECIFIC ENTITIES.—Subject to
2 paragraph (1), a State may provide that an individ-
3 ual hospital (or other institutional provider) may
4 serve as a qualified entity to conduct quality reviews
5 under subsection (a).

6 **SEC. 503. ELIMINATION OF UTILIZATION REVIEW PRO-**
7 **GRAMS; TRANSITION.**

8 (a) INTENT.—It is the intention of this title to re-
9 place by January 1, 1998, random utilization controls with
10 a systematic review of patterns of practice that com-
11 promise the quality of care.

12 (b) SUPERSEDING CASE REVIEWS.—

13 (1) IN GENERAL.—Subject to the succeeding
14 provisions of this subsection, the program of quality
15 review provided under the previous sections of this
16 title supersede all existing Federal requirements for
17 utilization review programs, including requirements
18 for random case-by-case reviews and programs re-
19 quiring pre-certification of medical procedures on a
20 case-by-case basis.

21 (2) TRANSITION.—Before January 1, 1998, the
22 Board and the States may employ existing utiliza-
23 tion review standards and mechanisms as may be
24 necessary to effect the transition to pattern of prac-
25 tice-based reviews.

1 (3) CONSTRUCTION.—Nothing in this sub-
2 section shall be construed—

3 (A) as precluding the case-by-case review
4 of the provision of care—

5 (i) in individual incidents where the
6 quality of care has significantly deviated
7 from acceptable standards of practice, and

8 (ii) with respect to a provider who has
9 been determined to be an outlier; or

10 (B) as precluding the case management of
11 catastrophic, mental health, or substance abuse
12 cases where such management is necessary to
13 achieve appropriate, cost-effective, and bene-
14 ficial comprehensive medical care, as provided
15 for in section 204.

16 **SEC. 504. DEVELOPMENT OF NATIONAL ELECTRONIC DATA**
17 **BASE.**

18 (a) USE BY STATES.—In order to meet the require-
19 ment of this section, for purposes of section
20 405(b)(1)(N)), each State health security program shall
21 develop and use a uniform electronic data base which uses
22 the software designated under subsection (b) and which
23 assures confidentiality under subsection (c), for all patient
24 records in order to enable systematic quality review and
25 outcomes analysis. Subject to subsection (c), data in such

1 data base shall be made available, under rules established
2 by the Board, in order to facilitate the portability of pa-
3 tient records and comparative outcomes research analysis.

4 (b) UNIFORM SOFTWARE.—The Board shall des-
5 ignate the uniform software that shall be used by States
6 in the operation of their electronic data bases, in order
7 to facilitate the portability of patient records and com-
8 parative outcomes research analysis. The Board shall not
9 grant any waiver of the requirement of the previous
10 sentence.

11 (c) CONFIDENTIALITY.—The Board shall establish
12 standards that are designed to protect the privacy and
13 otherwise shield the identity of the patients whose records
14 are included in the data base. Under such standards, gov-
15 ernment agencies shall not have access to information in
16 the data base that will identify individual patients except
17 in cases of quality review procedures which require that
18 individual patients be informed of necessary changes in
19 their treatment.

1 **TITLE VI—HEALTH SECURITY**
2 **BUDGET; PAYMENTS; COST**
3 **CONTAINMENT MEASURES**
4 **Subtitle A—Budgeting and**
5 **Payments to States**

6 **SEC. 601. NATIONAL HEALTH SECURITY BUDGET.**

7 (a) NATIONAL HEALTH SECURITY BUDGET.—

8 (1) IN GENERAL.—By not later than September
9 1 before the beginning of each year (beginning with
10 1995), the Board shall establish a national health
11 security budget, which—

12 (A) specifies the total expenditures (includ-
13 ing expenditures for administrative costs) to be
14 made by the Federal Government and the
15 States for covered health care services under
16 this Act, and

17 (B) allocates those expenditures among the
18 States consistent with section 604.

19 Pursuant to subsection (b), such budget for a year
20 shall not exceed the budget for the preceding year
21 increased by the percentage increase in gross domes-
22 tic product.

23 (2) DIVISION OF BUDGET INTO COMPONENTS.—

24 The national health security budget shall consist of
25 at least 4 components:

1 (A) A component for quality assessment
2 activities (described in title V).

3 (B) A component for health professional
4 education expenditures.

5 (C) A component for administrative costs.

6 (D) A component (in this title referred to
7 as the “operating component”) for operating
8 and other expenditures not described in sub-
9 paragraphs (A) through (C), consisting of
10 amounts not included in the other components.
11 A State may provide for the allocation of this
12 component between capital expenditures and
13 other expenditures.

14 (3) ALLOCATION AMONG COMPONENTS.—Tak-
15 ing into account the State health security budgets
16 established and submitted under section 603, the
17 Board shall allocate the national health security
18 budget among the components in a manner that—

19 (A) assures a fair allocation for quality as-
20 sessment activities (consistent with the national
21 health security spending growth limit); and

22 (B) assures that the health professional
23 education expenditure component is sufficient
24 to provide for the amount of health professional
25 education expenditures sufficient to meet the

1 need for covered health care services (consistent
2 with the national health security spending
3 growth limit under subsection (b)(2)).

4 (b) BASIS FOR TOTAL EXPENDITURES.—

5 (1) IN GENERAL.—The total expenditures speci-
6 fied in such budget shall be the sum of the capita-
7 tion amounts computed under section 602(a) and
8 the amount of Federal administrative expenditures
9 needed to carry out this Act.

10 (2) NATIONAL HEALTH SECURITY SPENDING
11 GROWTH LIMIT.—For purposes of this subtitle, the
12 national health security spending growth limit de-
13 scribed in this paragraph for a year is zero, or, if
14 greater, the percentage increase in the gross domes-
15 tic product (in current dollars) from the first quar-
16 ter of the second previous year to the first quarter
17 of the previous year.

18 (c) DEFINITIONS.—In this title:

19 (1) CAPITAL EXPENDITURES.—The term “cap-
20 ital expenditures” means expenses for the purchase,
21 lease, construction, or renovation of capital facilities
22 and for equipment and includes return on equity
23 capital.

24 (2) HEALTH PROFESSIONAL EDUCATION EX-
25 PENDITURES.—The term “health professional edu-

1 cation expenditures” means expenditures in hospitals
2 and other health care facilities to cover costs associ-
3 ated with teaching and related research activities.

4 **SEC. 602. COMPUTATION OF INDIVIDUAL AND STATE CAPI-**
5 **TATION AMOUNTS.**

6 (a) CAPITATION AMOUNTS.—

7 (1) INDIVIDUAL CAPITATION AMOUNTS.—In es-
8 tablishing the national health security budget under
9 section 601(a) and in computing the national aver-
10 age per capita cost under subsection (b) for each
11 year, the Board shall establish a method for comput-
12 ing the capitation amount for each eligible individual
13 residing in each State. The capitation amount for an
14 eligible individual in a State classified within a risk
15 group (established under subsection (d)(2)) is the
16 product of—

17 (A) a national average per capita cost for
18 all covered health care services (computed
19 under subsection (b)),

20 (B) the State adjustment factor (estab-
21 lished under subsection (c)) for the State, and

22 (C) the risk adjustment factor (established
23 under subsection (d)) for the risk group.

24 (2) STATE CAPITATION AMOUNT.—

1 (A) IN GENERAL.—For purposes of this
 2 title, the term “State capitation amount”
 3 means, for a State for a year, the sum of the
 4 capitation amounts computed under paragraph
 5 (1) for all the residents of the State in the year,
 6 as estimated by the Board before the beginning
 7 of the year involved.

8 (B) USE OF STATISTICAL MODEL.—The
 9 Board may provide for the computation of
 10 State capitation amounts based on statistical
 11 models that fairly reflect the elements that com-
 12 prise the State capitation amount described in
 13 subparagraph (A).

14 (C) POPULATION INFORMATION.—The Bu-
 15 reau of the Census shall assist the Board in de-
 16 termining the number, place of residence, and
 17 risk group classification of eligible individuals.

18 (b) COMPUTATION OF NATIONAL AVERAGE PER CAP-
 19 ITA COST.—

20 (1) FOR 1995.—For 1995, the national average
 21 per capita cost under this paragraph is equal to—

22 (A) the average per capita health care ex-
 23 penditures in the United States in 1993 (as
 24 estimated by the Board),

1 (B) increased to 1994 by the Board's esti-
2 mate of the actual amount of such per capita
3 expenditures during 1994, and

4 (C) updated to 1995 by the national health
5 security spending growth limit specified in sec-
6 tion 601(b)(2) for 1995.

7 (2) FOR SUCCEEDING YEARS.—For each suc-
8 ceeding year, the national average per capita cost
9 under this subsection is equal to the national aver-
10 age per capita cost computed under this subsection
11 for the previous year increased by the national
12 health security spending growth limit (specified in
13 section 601(b)(2)) for the year involved.

14 (c) STATE ADJUSTMENT FACTORS.—

15 (1) IN GENERAL.—Subject to the succeeding
16 paragraphs of this subsection, the Board shall de-
17 velop for each State a factor to adjust the national
18 average per capita costs to reflect differences
19 between the State and the United States in—

20 (A) average labor and nonlabor costs that
21 are necessary to provide covered health services;

22 (B) any social, environmental, or geo-
23 graphic condition affecting health status or the
24 need for health care services, to the extent such

1 a condition is not taken into account in the es-
2 tablishment of risk groups under subsection (d);

3 (C) the geographic distribution of the
4 State's population, particularly the proportion
5 of the population residing in medically under-
6 served areas, to the extent such a condition is
7 not taken into account in the establishment of
8 risk groups under subsection (d); and

9 (D) any other factor relating to operating
10 costs required to assure equitable distribution
11 of funds among the States.

12 (2) MODIFICATION OF HEALTH PROFESSIONAL
13 EDUCATION COMPONENT.—With respect to the por-
14 tion of the national health security budget allocated
15 to expenditures for health professional education, the
16 Board shall modify the State adjustment factors so
17 as to take into account—

18 (A) differences among States in health
19 professional education programs in operation as
20 of the date of the enactment of this Act, and

21 (B) differences among States in their rel-
22 ative need for expenditures for health profes-
23 sional education, taking into account the health
24 professional education expenditures proposed in

1 State health security budgets under section
2 603(a).

3 (3) BUDGET NEUTRALITY.—The State adjust-
4 ment factors, as modified under paragraph (2), shall
5 be applied under this subsection in a manner that
6 results in neither an increase nor a decrease in the
7 total amount of the Federal contributions to all
8 State health security programs under subsection (b)
9 as a result of the application of such factors.

10 (4) PHASE-IN.—In applying State adjustment
11 factors under this subsection during the five-year pe-
12 riod beginning with 1995, the Board shall phase-in,
13 over such period, the use of factors described in
14 paragraph (1) in a manner so that the adjustment
15 factor for a State is based on a blend of such factors
16 and a factor that reflects the relative actual average
17 per capita costs of health services of the different
18 States as of the time of enactment of this Act.

19 (5) PERIODIC ADJUSTMENT.—In establishing
20 the national health security budget before the begin-
21 ning of each year, the Board shall provide for appro-
22 priate adjustments in the State adjustment factors
23 under this subsection.

24 (d) ADJUSTMENTS FOR RISK GROUP CLASSIFICA-
25 TION.—

1 (1) IN GENERAL.—The Board shall develop an
2 adjustment factor to the national average per capita
3 costs computed under subsection (b) for individuals
4 classified in each risk group (as designated under
5 paragraph (2)) to reflect the difference between the
6 average national average per capita costs and the
7 national average per capita cost for individuals clas-
8 sified in the risk group.

9 (2) RISK GROUPS.—The Board shall designate
10 a series of risk groups, determined by age, health in-
11 dicators, and other factors that represent distinct
12 patterns of health care services utilization and costs.

13 (3) PERIODIC ADJUSTMENT.—In establishing
14 the national health security budget before the begin-
15 ning of each year, the Board shall provide for appro-
16 priate adjustments in the risk adjustment factors
17 under this subsection.

18 **SEC. 603. STATE HEALTH SECURITY BUDGETS.**

19 (a) ESTABLISHMENT AND SUBMISSION OF BUDG-
20 ETS.—

21 (1) IN GENERAL.—Each State health security
22 program shall establish and submit to the Board for
23 each year a proposed and a final State health secu-
24 rity budget, which specifies the following:

1 (A) The total expenditures (including ex-
2 penditures for administrative costs) to be made
3 under the program in the State for covered
4 health care services under this Act, consistent
5 with subsection (b), broken down as follows:

6 (i) By the 4 components (described in
7 section 601(a)(2)), consistent with sub-
8 section (b).

9 (ii) Within the operating component—

10 (I) expenditures for operating
11 costs of hospitals and other facility-
12 based services in the State,

13 (II) expenditures for payment to
14 comprehensive health service organiza-
15 tions,

16 (III) expenditures for payment of
17 services provided by health care prac-
18 titioners, and

19 (IV) expenditures for other cov-
20 ered items and services.

21 Amounts included in the operating compo-
22 nent include amounts that may be used by
23 providers for capital expenditures.

24 (B) The total revenues required to meet
25 the State health security expenditures.

1 (2) PROPOSED BUDGET DEADLINE.—The pro-
2 posed budget for a year shall be submitted under
3 paragraph (1) not later than June 1 before the year.

4 (3) FINAL BUDGET.—The final budget for a
5 year shall—

6 (A) be established and submitted under
7 paragraph (1) not later than October 1 before
8 the year, and

9 (B) take into account the amounts estab-
10 lished under the national health security budget
11 under section 601 for the year.

12 (4) ADJUSTMENT IN ALLOCATIONS PER-
13 MITTED.—

14 (A) IN GENERAL.—Subject to subpara-
15 graphs (B) and (C), in the case of a final
16 budget, a State may change the allocation of
17 amounts among components.

18 (B) NOTICE.—No such change may be
19 made unless the State has provided prior notice
20 of the change to the Board.

21 (C) DENIAL.—Such a change may not be
22 made if the Board, within such time period as
23 the Board specifies, disapproves such change.

24 (b) EXPENDITURE LIMITS.—

1 (1) IN GENERAL.—The total expenditures speci-
2 fied in each State health security budget under sub-
3 section (a)(1) shall take into account Federal
4 contributions made under section 604.

5 (2) LIMIT ON CLAIMS PROCESSING AND BILL-
6 ING EXPENDITURES.—Each State health security
7 budget shall provide that State administrative ex-
8 penditures, including expenditures for claims proc-
9 essing and billing, shall not exceed 3 percent of the
10 total expenditures under the State health security
11 program, unless the Board determines, on a case-by-
12 case basis, that additional administrative expendi-
13 tures would improve health care quality and cost
14 effectiveness.

15 (3) WORKER ASSISTANCE.—A State health se-
16 curity program may provide that, for budgets for
17 years before 2000, up to 1 percent of the budget
18 may be used for purposes of programs providing as-
19 sistance to workers who are currently performing
20 functions in the administration of the health insur-
21 ance system and who may experience economic dis-
22 location as a result of the implementation of the
23 program.

24 (c) APPROVAL PROCESS FOR CAPITAL EXPENDI-
25 TURES PERMITTED.—Nothing in this title shall be con-

1 strued as preventing a State health security program from
2 providing for a process for the approval of capital expendi-
3 tures based on information derived from regional planning
4 agencies.

5 **SEC. 604. FEDERAL PAYMENTS TO STATES.**

6 (a) IN GENERAL.—Each State with an approved
7 State health security program is entitled to receive, from
8 amounts in the National Health Security Trust Fund, on
9 a monthly basis each year, of an amount equal to one-
10 twelfth of the product of—

11 (1) the State capitation amount (computed
12 under section 602(a)(2)) for the State for the year,
13 and

14 (2) the Federal contribution percentage (estab-
15 lished under subsection (b)).

16 (b) FEDERAL CONTRIBUTION PERCENTAGE.—The
17 Board shall establish a formula for the establishment of
18 a Federal contribution percentage for each State. Such
19 formula shall take into consideration a State's per capita
20 income and revenue capacity and such other relevant eco-
21 nomic indicators as the Board determines to be appro-
22 priate. In addition, during the 5-year period beginning
23 with 1995, the Board may provide for a transition adjust-
24 ment to the formula in order to take into account current
25 expenditures by the State (and local governments thereof)

1 for health services covered under the State health security
2 program. The weighted-average Federal contribution per-
3 centage for all States shall equal 86 percent and in no
4 event shall such percentage be less than 81 percent nor
5 more than 91 percent.

6 (c) USE OF PAYMENTS.—All payments made under
7 this section may only be used to carry out the State health
8 security program.

9 (d) EFFECT OF SPENDING EXCESS OR SURPLUS.—

10 (1) SPENDING EXCESS.—If a State exceeds its
11 budget in a given year, the State shall continue to
12 fund covered health services from its own revenues.

13 (2) SURPLUS.—If a State provides all covered
14 health services for less than the budgeted amount
15 for a year, it may retain its Federal payment for
16 that year for uses consistent with this Act.

17 **SEC. 605. ACCOUNT FOR HEALTH PROFESSIONAL EDU-**
18 **CATION EXPENDITURES.**

19 (a) SEPARATE ACCOUNT.—Each State health secu-
20 rity program shall—

21 (1) include a separate account for health pro-
22 fessional education expenditures, and

23 (2) specify the general manner, consistent with
24 subsection (b), in which such expenditures are to be

1 distributed among different types of institutions and
2 the different areas of the State.

3 (b) DISTRIBUTION RULES.—The distribution of
4 funds to hospitals and other health care facilities from the
5 account must conform to the following principles:

6 (1) The disbursement of funds must be consist-
7 ent with achievement of the national and program
8 goals (specified in section 701(b)) within the State
9 health security program and the distribution of
10 funds from the account must be conditioned upon
11 the receipt of such reports as the Board may require
12 in order to monitor compliance with such goals.

13 (2) The distribution of funds from the account
14 must take into account the potentially higher costs
15 of placing health professional students in clinical
16 education programs in health professional shortage
17 areas.

18 **Subtitle B—Payments by States to**
19 **Providers**

20 **SEC. 611. PAYMENTS TO HOSPITALS AND OTHER FACILITY-**
21 **BASED SERVICES FOR OPERATING EXPENSES**
22 **ON THE BASIS OF APPROVED GLOBAL**
23 **BUDGETS.**

24 (a) DIRECT PAYMENT UNDER GLOBAL BUDGET.—
25 Payment for operating expenses for institutional and facil-

1 ity-based care, including hospital services and nursing fa-
2 cility services, under State health security programs shall
3 be made directly to each institution or facility by each
4 State health security program under an annual prospec-
5 tive global budget approved under the program. Such a
6 budget shall include payment for outpatient care and non-
7 facility-based care that is furnished by or through the fa-
8 cility. In the case of a hospital that is wholly owned (or
9 controlled) by a comprehensive health service organization
10 that is paid under section 614 on the basis of a global
11 budget, the global budget of the organization shall include
12 the budget for the hospital.

13 (b) ANNUAL NEGOTIATIONS; BUDGET APPROVAL.—

14 (1) IN GENERAL.—The prospective global budg-
15 et for an institution or facility shall be developed
16 through annual negotiations between the State
17 health security program and the institution or facil-
18 ity and be based on a nationally uniform system of
19 cost accounting established under standards of the
20 Board.

21 (2) CONSIDERATIONS.—In developing a budget
22 through negotiations, there shall be taken into
23 account at least the following:

1 (A) With respect to inpatient hospital serv-
2 ices, the number, and classification by diag-
3 nosis-related group, of discharges.

4 (B) An institution's or facility's past ex-
5 penditures.

6 (C) The extent to which debt service for
7 capital expenditures has been included in the
8 proposed operating budget.

9 (D) Change in the consumer price index
10 and other price indices.

11 (E) The cost of reasonable compensation
12 to health care practitioners.

13 (F) The compensation level of the institu-
14 tion's or facility's workforce.

15 (G) The extent to which the institution or
16 facility is providing health care services to meet
17 the needs of residents in the area served by the
18 institution or facility, including the institution's
19 or facility's occupancy level.

20 (H) The institution's or facility's previous
21 financial and clinical performance, based on uti-
22 lization and outcomes data provided under this
23 Act.

24 (I) The type of institution or facility, in-
25 cluding whether the institution or facility is

1 part of a clinical education program or serves
2 a health professional education, research or
3 other training purpose.

4 (J) Technological advances or changes.

5 (K) Costs of the institution or facility asso-
6 ciated with meeting Federal and State regula-
7 tions.

8 (L) The costs associated with necessary
9 public outreach activities.

10 (M) In the case of a for-profit facility, a
11 reasonable rate of return on equity capital,
12 independent of those operating expenses nec-
13 essary to fulfill the objectives of this Act.

14 (N) Incentives to facilities that maintain
15 costs below previous reasonable budgeted levels
16 without reducing the care provided.

17 (O) With respect to facilities that provide
18 mental health services and substance abuse
19 treatment services, any additional costs involved
20 in the treatment of dually diagnosed individ-
21 uals.

22 The portion of such a budget that relates to expendi-
23 tures for health professional education shall be con-
24 sistent with the State health security budget for
25 such expenditures.

1 (3) PROVISION OF REQUIRED INFORMATION; DI-
2 AGNOSIS-RELATED GROUP.—No budget for an insti-
3 tution or facility for a year may be approved unless
4 the institution or facility has submitted on a timely
5 basis to the State health security program such in-
6 formation as the program or the Board shall specify,
7 including in the case of hospitals information on dis-
8 charges classified by diagnosis-related group.

9 (c) ADJUSTMENTS IN APPROVED BUDGETS.—

10 (1) ADJUSTMENTS TO GLOBAL BUDGETS THAT
11 CONTRACT WITH COMPREHENSIVE HEALTH SERVICE
12 ORGANIZATIONS.—Each State health security pro-
13 gram shall develop an administrative mechanism for
14 reducing operating funds to institutions or facilities
15 in proportion to payments made to such institutions
16 or facilities for services contracted for by a com-
17 prehensive health service organization.

18 (2) AMENDMENTS.—In accordance with stand-
19 ards established by the Board, an operating and
20 capital budget approved under this section for a year
21 may be amended before, during, or after the year if
22 there is a substantial change in any of the factors
23 relevant to budget approval.

24 (d) DONATIONS PERMISSIBLE.—The States health
25 security programs may permit institutions and facilities

1 to raise funds from private sources to pay for newly con-
2 structed facilities, major renovations, and equipment. The
3 expenditure of such funds, whether for operating or cap-
4 ital expenditures, does not obligate the State health secu-
5 rity program to provide for continued support for such ex-
6 penditures unless included in an approved global budget.

7 **SEC. 612. PAYMENTS TO HEALTH CARE PRACTITIONERS**
8 **BASED ON PROSPECTIVE FEE SCHEDULE.**

9 (a) FEE FOR SERVICE.—

10 (1) IN GENERAL.—Every independent health
11 care practitioner is entitled to be paid, for the provi-
12 sion of covered health services under the State
13 health security program, a fee for each billable cov-
14 ered service.

15 (2) GLOBAL FEE PAYMENT METHODOLOGIES.—

16 The Board shall establish models and encourage
17 State health security programs to implement alter-
18 native payment methodologies that incorporate glob-
19 al fees for related services (such as all outpatient
20 procedures for treatment of a condition) or for a
21 basic group of services (such as primary care serv-
22 ices) furnished to an individual over a period of
23 time, in order to encourage continuity and efficiency
24 in the provision of services. Such methodologies shall
25 be designed to ensure a high quality of care.

1 (3) BILLING DEADLINES; ELECTRONIC BILL-
2 ING.—A State health security program may deny
3 payment for any service of an independent health
4 care practitioner for which it did not receive a bill
5 and appropriate supporting documentation (which
6 had been previously specified) within 30 days after
7 the date the service was provided. Such a program
8 may require that bills for services for which payment
9 may be made under this section, or for any class of
10 such services, be submitted electronically.

11 (b) PAYMENT RATES BASED ON NEGOTIATED PRO-
12 SPECTIVE FEE SCHEDULES.—With respect to any pay-
13 ment method for a class of services of practitioners, the
14 State health security program shall establish, on a pro-
15 spective basis, a payment schedule. The State health secu-
16 rity program may establish such a schedule after negotia-
17 tions with organizations representing the practitioners in-
18 volved. Such fee schedules shall be designed to provide in-
19 centives for practitioners to choose primary care medicine,
20 including general internal medicine and pediatrics, over
21 medical specialization. Nothing in this section shall be con-
22 strued as preventing a State from adjusting the payment
23 schedule amounts on a quarterly or other periodic basis
24 depending on whether expenditures under the schedule will

1 exceed the budgeted amount with respect to such expendi-
2 tures.

3 (c) BILLABLE COVERED SERVICE DEFINED.—In this
4 section, the term “billable covered service” means a service
5 covered under section 201 for which a practitioner is enti-
6 tled to compensation by payment of a fee determined
7 under this section.

8 **SEC. 613. PAYMENTS TO COMPREHENSIVE HEALTH SERV-**
9 **ICE ORGANIZATIONS.**

10 (a) IN GENERAL.—Payment under a State health se-
11 curity program to a comprehensive health service organi-
12 zation to its enrollees shall be determined by the State—

13 (1) based on a global budget described in sec-
14 tion 611, or

15 (2) based on the basic capitation amount de-
16 scribed in subsection (b) for each of its enrollees.

17 (b) BASIC CAPITATION AMOUNT.—

18 (1) IN GENERAL.—The basic capitation amount
19 described in this subsection for an enrollee shall be
20 determined by the State health security program on
21 the basis of the average amount of expenditures that
22 is estimated would be made under the State health
23 security program for covered health care services for
24 an enrollee, based on actuarial characteristics (as de-
25 fined by the State health security program).

1 (2) ADJUSTMENT FOR SPECIAL HEALTH
2 NEEDS.—The State health security program shall
3 adjust such average amounts to take into account
4 the special health needs, including a disproportionate
5 number of medically underserved individuals, of pop-
6 ulations served by the organization.

7 (3) ADJUSTMENT FOR SERVICES NOT PRO-
8 VIDED.—The State health security program shall ad-
9 just such average amounts to take into account the
10 cost of covered health care services that are not pro-
11 vided by the comprehensive health service organiza-
12 tion under section 303(a).

13 **SEC. 614. PAYMENTS FOR COMMUNITY-BASED PRIMARY**
14 **HEALTH SERVICES.**

15 (a) IN GENERAL.—In the case of community-based
16 primary health services, subject to subsection (b), pay-
17 ments under a State health security program shall—

18 (1) be based on a global budget described in
19 section 611,

20 (2) be based on the basic primary care capita-
21 tion amount described in subsection (c) for each in-
22 dividual enrolled with the provider of such services,
23 or

24 (3) be made on a fee-for-service basis under
25 section 612.

1 (b) PAYMENT ADJUSTMENT.—Payments under sub-
2 section (a) may include, consistent with the budgets devel-
3 oped under this title—

4 (1) an additional amount, as set by the State
5 health security program, to cover the costs incurred
6 by a provider which serves persons not covered by
7 this Act whose health care is essential to overall
8 community health and the control of communicable
9 disease, and for whom the cost of such care is other-
10 wise uncompensated,

11 (2) an additional amount, as set by the State
12 health security program, to cover the reasonable
13 costs incurred by a provider that furnishes case
14 management services (as defined in section
15 1915(g)(2) of the Social Security Act), transpor-
16 tation services, and translation services, and

17 (3) an additional amount, as set by the State
18 health security program, to cover the costs incurred
19 by a provider in conducting health professional edu-
20 cation programs in connection with the provision of
21 such services.

22 (c) BASIC PRIMARY CARE CAPITATION AMOUNT.—

23 (1) IN GENERAL.—The basic primary care capi-
24 tation amount described in this subsection for an en-
25 rollee with a provider of community-based primary

1 health services shall be determined by the State
2 health security program on the basis of the average
3 amount of expenditures that is estimated would be
4 made under the State health security program for
5 such an enrollee, based on actuarial characteristics
6 (as defined by the State health security program).

7 (2) ADJUSTMENT FOR SPECIAL HEALTH
8 NEEDS.—The State health security program shall
9 adjust such average amounts to take into account
10 the special health needs, including a disproportionate
11 number of medically underserved individuals, of pop-
12 ulations served by the provider.

13 (3) ADJUSTMENT FOR SERVICES NOT PRO-
14 VIDED.—The State health security program shall ad-
15 just such average amounts to take into account the
16 cost of community-based primary health services
17 that are not provided by the provider.

18 (d) COMMUNITY-BASED PRIMARY HEALTH SERVICES
19 DEFINED.—In this section, the term “community-based
20 primary health services” has the meaning given such term
21 in section 202(a).

22 **SEC. 615. PAYMENTS FOR PRESCRIPTION DRUGS.**

23 (a) ESTABLISHMENT OF LIST.—

24 (1) IN GENERAL.—Based upon the rec-
25 ommendations of the Advisory Committee on Pre-

1 scription Drugs under section 403, the Board shall
2 establish a list of approved prescription drugs and
3 biologicals that the Board determines are necessary
4 for the maintenance or restoration of health or of
5 employability or self-management and eligible for
6 coverage under this Act.

7 (2) EXCLUSIONS.—The Board may exclude re-
8 imbursement under this Act for ineffective, unsafe,
9 or over-priced products where better alternatives are
10 determined to be available.

11 (b) PRICES.—For each such listed prescription drug
12 or biological covered under this Act, for insulin, and for
13 medical foods, the Board shall from time to time deter-
14 mine a product price or prices which shall constitute the
15 maximum to be recognized under this Act as the cost of
16 a drug to a provider thereof. The Board may conduct ne-
17 gotiations, on behalf of State health security programs,
18 with product manufacturers and distributors in determin-
19 ing the applicable product price or prices.

20 (c) CHARGES BY INDEPENDENT PHARMACIES.—
21 Each State health security program shall provide for pay-
22 ment for a prescription drug or biological or insulin fur-
23 nished by an independent pharmacy based on the drug's
24 cost to the pharmacy (not in excess of the applicable prod-
25 uct price established under subsection (b)) plus a dispens-

1 ing fee. In accordance with standards established by the
2 Board, each State health security program, after consulta-
3 tion with representatives of the pharmaceutical profession,
4 shall establish schedules of dispensing fees, designed to af-
5 ford reasonable compensation to independent pharmacies
6 after taking into account variations in their cost of oper-
7 ation resulting from regional differences, differences in the
8 volume of prescription drugs dispensed, differences in
9 services provided, the need to maintain expenditures with-
10 in the budgets established under this title, and other
11 relevant factors.

12 **SEC. 616. PAYMENTS FOR APPROVED DEVICES AND EQUIP-**
13 **MENT.**

14 (a) ESTABLISHMENT OF LIST.—The Board shall es-
15 tablish a list of approved durable medical equipment and
16 therapeutic devices and equipment (including eyeglasses,
17 hearing aids, and prosthetic appliances), that the Board
18 determines are necessary for the maintenance or restora-
19 tion of health or of employability or self-management and
20 eligible for coverage under this Act.

21 (b) CONSIDERATIONS AND CONDITIONS.—In estab-
22 lishing the list under subsection (a), the Board shall take
23 into consideration the efficacy, safety, and cost of each
24 item contained on such list, and shall attach to any item
25 such conditions as the Board determines appropriate with

1 respect to the circumstances under which, or the frequency
2 with which, the item may be prescribed.

3 (c) PRICES.—For each such listed item covered under
4 this Act, the Board shall from time to time determine a
5 product price or prices which shall constitute the maxi-
6 mum to be recognized under this Act as the cost of the
7 item to a provider thereof. The Board may conduct nego-
8 tiations, on behalf of State health security programs, with
9 equipment and device manufacturers and distributors in
10 determining the applicable product price or prices.

11 (d) EXCLUSIONS.—The Board may exclude from cov-
12 erage under this Act ineffective, unsafe, or overpriced
13 products where better alternatives are determined to be
14 available.

15 **SEC. 617. PAYMENTS FOR OTHER ITEMS AND SERVICES.**

16 In the case of payment for other covered health serv-
17 ices, the amount of payment under a State health security
18 program shall be established by the program—

19 (1) in accordance with payment methodologies
20 which are specified by the Board, after consultation
21 with the American Health Security Advisory Coun-
22 cil, or methodologies established by the State under
23 section 620, and

24 (2) consistent with the State health security
25 budget.

1 **SEC. 618. PAYMENT INCENTIVES FOR MEDICALLY UNDER-**
2 **SERVED AREAS.**

3 (a) MODEL PAYMENT METHODOLOGIES.—In addi-
4 tion to the payment amounts otherwise provided in this
5 title, the Board shall establish model payment methodolo-
6 gies and other incentives that promote the provision of
7 covered health care services in medically underserved
8 areas, particularly in rural and inner-city underserved
9 areas.

10 (b) CONSTRUCTION.—Nothing in this title shall be
11 construed as limiting the authority of State health security
12 programs to increase payment amounts or otherwise pro-
13 vide additional incentives, consistent with the State health
14 security budget, to encourage the provision of medically
15 necessary and appropriate services in underserved areas.

16 **SEC. 619. AUTHORITY FOR ALTERNATIVE PAYMENT METH-**
17 **ODOLOGIES.**

18 A State health security program, as part of its plan
19 under section 405(a), may use a payment methodology
20 other than a methodology required under this subtitle so
21 long as—

22 (1) such payment methodology does not affect
23 the entitlement of individuals to coverage, the
24 weighting of fee schedules to encourage an increase
25 in the number of primary care providers, the ability
26 of individuals to choose among qualified providers,

1 the benefits covered under the program, or the com-
2 pliance of the program with the State health security
3 budget under subtitle A, and

4 (2) the program submits periodic reports to the
5 Board showing the operation and effectiveness of the
6 alternative methodology, in order for the Board to
7 evaluate the appropriateness of applying the alter-
8 native methodology to other States.

9 **Subtitle C—Mandatory Assignment** 10 **and Administrative Provisions**

11 **SEC. 631. MANDATORY ASSIGNMENT.**

12 (a) NO BALANCE BILLING.—Payments for benefits
13 under this Act shall constitute payment in full for such
14 benefits and the entity furnishing an item or service for
15 which payment is made under this Act shall accept such
16 payment as payment in full for the item or service and
17 may not accept any payment or impose any charge for
18 any such item or service other than accepting payment
19 from the State health security program in accordance with
20 this Act.

21 (b) ENFORCEMENT.—If an entity knowingly and will-
22 fully bills for an item or service or accepts payment in
23 violation of subsection (a), the Board may apply sanctions
24 against the entity in the same manner as sanctions could
25 have been imposed under section 1842(j)(2) of the Social

1 Security Act for a violation of section 1842(j)(1) of such
2 Act. Such sanctions are in addition to any sanctions that
3 a State may impose under its State health security
4 program.

5 **SEC. 632. PROCEDURES FOR REIMBURSEMENT; APPEALS.**

6 (a) PROCEDURES FOR REIMBURSEMENT.—In accord-
7 ance with standards issued by the Board, a State health
8 security program shall establish a timely and administra-
9 tively simple procedure to assure payment within 60 days
10 of the date of submission of clean claims by providers
11 under this Act.

12 (b) APPEALS PROCESS.—Each State health security
13 program shall establish an appeals process to handle all
14 grievances pertaining to payment to providers under this
15 title.

1 **TITLE VII—PROMOTION OF PRI-**
2 **MARY HEALTH CARE; DEVEL-**
3 **OPMENT OF HEALTH SERV-**
4 **ICE CAPACITY; PROGRAMS TO**
5 **ASSIST THE MEDICALLY UN-**
6 **DERSERVED**

7 **Subtitle A—Promotion and Expan-**
8 **sion of Primary Care Profes-**
9 **sional Training**

10 **SEC. 701. ROLE OF BOARD; ESTABLISHMENT OF PRIMARY**
11 **CARE PROFESSIONAL OUTPUT GOALS.**

12 (a) IN GENERAL.—The Board is responsible for—

13 (1) coordinating health professional education
14 policies and goals, in consultation with the Secretary
15 of Health and Human Services (in this title referred
16 to as the “Secretary”), to achieve the national goals
17 specified in subsection (b);

18 (2) overseeing the health professional education
19 expenditures of the State health security programs
20 from the account established under section 602(c);

21 (3) developing and maintaining, in cooperation
22 with the Secretary, a system to monitor the number
23 and specialties of individuals through their health
24 professional education, any postgraduate training,
25 and professional practice; and

1 (4) developing, coordinating, and promoting
2 other policies that expand the number of primary
3 care practitioners.

4 (b) NATIONAL GOALS.—The national goals specified
5 in this subsection are as follows:

6 (1) GRADUATE MEDICAL EDUCATION.—By not
7 later than 5 years after the date of the enactment
8 of this Act, at least 50 percent of the residents in
9 medical residency education programs (as defined in
10 subsection (e)(1)) are primary care residents (as
11 defined in subsection (e)(3)).

12 (2) MIDDLELEVEL PRIMARY CARE PRACTITION-
13 ERS.—To assure an adequate supply of primary care
14 practitioners, there shall be a number, specified by
15 the Board, of midlevel primary care practitioners (as
16 defined in subsection (e)(2)) employed in the health
17 care system as of January 1, 2000.

18 (c) METHOD FOR ATTAINMENT OF NATIONAL GOAL
19 FOR GRADUATE MEDICAL EDUCATION; PROGRAM
20 GOALS.—

21 (1) IN GENERAL.—The Board shall establish a
22 method of applying the national goal in subsection
23 (b)(1) to program goals for each medical residency
24 education program or to medical residency education
25 consortia.

1 (2) CONSIDERATION.—The program goals
2 under paragraph (1) shall be based on the distribu-
3 tion of medical schools and other teaching facilities
4 within each State health security program, and the
5 number of positions for graduate medical education.

6 (3) MEDICAL RESIDENCY EDUCATION CONSOR-
7 TIUM.—In this subsection, the term “medical resi-
8 dency education consortium” means a consortium of
9 medical residency education programs in a contig-
10 uous geographic area (which may be an interstate
11 area) if the consortium—

12 (A) includes at least one medical school
13 with a teaching hospital and related teaching
14 settings, and

15 (B) has an affiliation with qualified com-
16 munity-based primary health service providers
17 described in section 202(a) and with at least
18 one comprehensive health service organization
19 established under section 303.

20 (4) ENFORCEMENT THROUGH STATE HEALTH
21 SECURITY BUDGETS.—The Board shall develop a
22 formula for reducing payments to State health secu-
23 rity programs (that provide for payments to a medi-
24 cal residency education program) that failed to meet

1 the goal for the program established under this sub-
2 section.

3 (d) METHOD FOR ATTAINMENT OF NATIONAL GOAL
4 FOR MIDDLELEVEL PRIMARY CARE PRACTITIONERS.—To as-
5 sist in attaining the national goal identified in subsection
6 (b)(2), the Board shall—

7 (1) advise the Public Health Service on alloca-
8 tions of funding under titles VII and VIII of the
9 Public Health Service Act, the National Health
10 Service Corps, and other programs in order to in-
11 crease the supply of midlevel primary care practi-
12 tioners, and

13 (2) commission a study of the potential benefits
14 and disadvantages of expanding the scope of practice
15 authorized under State laws for any class of midlevel
16 primary care practitioners.

17 (e) DEFINITIONS.—In this title:

18 (1) MEDICAL RESIDENCY EDUCATION PRO-
19 GRAM.—The term “medical residency education pro-
20 gram” means a program that provides education
21 and training to graduates of medical schools in order
22 to meet requirements for licensing and certification
23 as a physician, and includes the medical school su-
24 pervising the program and includes the hospital or
25 other facility in which the program is operated.

1 (2) MIDLEVEL PRIMARY CARE PRACTI-
2 TIONER.—The term “midlevel primary care practi-
3 tioner” means a clinical nurse practitioner, certified
4 nurse midwife, physician assistance, or other non-
5 physician practitioner, specified by the Board, as
6 authorized to practice under State law.

7 (3) PRIMARY CARE RESIDENT.—The term “pri-
8 mary care resident” means (in accordance with cri-
9 teria established by the Board) a resident being
10 trained in a distinct program of family practice med-
11 icine, general practice, general internal medicine, or
12 general pediatrics.

13 **SEC. 702. ESTABLISHMENT OF ADVISORY COMMITTEE ON**
14 **HEALTH PROFESSIONAL EDUCATION.**

15 (a) IN GENERAL.—The Board shall provide for an
16 Advisory Committee on Health Professional Education (in
17 this section referred to as the “Committee”) to advise the
18 Board on its activities under section 701.

19 (b) MEMBERSHIP.—The Committee shall be com-
20 posed of—

21 (1) the Chair of the Board, who shall serve as
22 Chair of the Committee, and

23 (2) 12 members, not otherwise in the employ of
24 the United States, appointed by the Board without
25 regard to the provisions of title 5, United States

1 Code, governing appointments in the competitive
2 service.

3 The appointed members shall provide a balanced point of
4 view with respect to health professional education, primary
5 care disciplines, and health care policy and shall include
6 individuals who are representative of medical schools,
7 other health professional schools, residency programs, pri-
8 mary care practitioners, teaching hospitals, professional
9 associations, public health organizations, State health
10 security programs, and consumers.

11 (c) TERMS OF MEMBERS.—Each appointed member
12 shall hold office for a term of five years, except that—

13 (1) any member appointed to fill a vacancy oc-
14 ccurring during the term for which the member's
15 predecessor was appointed shall be appointed for the
16 remainder of that term; and

17 (2) the terms of the members first taking office
18 shall expire, as designated by the Board at the time
19 of appointment, two at the end of the second year,
20 two at the end of the third year, two at the end of
21 the fourth year, and three at the end of the fifth
22 year after the date of enactment of this Act.

23 (d) VACANCIES.—

24 (1) IN GENERAL.—The Board shall fill any va-
25 cancy in the membership of the Committee in the

1 same manner as the original appointment. The va-
2 cancy shall not affect the power of the remaining
3 members to execute the duties of the Committee.

4 (2) VACANCY APPOINTMENTS.—Any member
5 appointed to fill a vacancy shall serve for the re-
6 mainder of the term for which the predecessor of the
7 member was appointed.

8 (3) REAPPOINTMENT.—The Board may re-
9 appoint an appointed member of the Committee for
10 a second term in the same manner as the original
11 appointment.

12 (e) DUTIES.—It shall be the duty of the Committee
13 to advise the Board concerning graduate medical edu-
14 cation policies under this title.

15 (f) STAFF.—The Committee, its members, and any
16 committees of the Committee shall be provided with such
17 secretarial, clerical, or other assistance as may be author-
18 ized by the Board for carrying out their respective
19 functions.

20 (g) MEETINGS.—The Committee shall meet as fre-
21 quently as the Board deems necessary, but not less than
22 4 times each year. Upon request by four or more members
23 it shall be the duty of the Chair to call a meeting of the
24 Committee.

1 (h) COMPENSATION.—Members of the Committee
2 shall be reimbursed by the Board for travel and per diem
3 in lieu of subsistence expenses during the performance of
4 duties of the Board in accordance with subchapter I of
5 chapter 57 of title 5, United States Code.

6 (i) FACA NOT APPLICABLE.—The provisions of the
7 Federal Advisory Committee Act shall not apply to the
8 Committee.

9 **SEC. 703. GRANTS FOR HEALTH PROFESSIONS EDUCATION,**
10 **NURSE EDUCATION, AND THE NATIONAL**
11 **HEALTH SERVICE CORPS.**

12 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
13 From the amounts provided under subsection (c), the
14 Board shall make transfers from the American Health Se-
15 curity Trust Fund to the Public Health Service under sub-
16 part II of part D of title III, title VII, and title VIII of
17 the Public Health Service Act for the support of the Na-
18 tional Health Service Corps, health professions education,
19 and nursing education, including education of clinical
20 nurse practitioners, certified registered nurse anesthetists,
21 certified nurse midwives, and physician assistants. Of the
22 amounts so transferred in each year, not less than 50 per-
23 cent shall be expended for the support of the National
24 Health Service Corps.

1 (b) RANGE OF FUNDS.—The amount of transfers
2 under subsection (a) for any fiscal year shall be an amount
3 (specified by the Board each year) not less than $\frac{4}{100}$ per-
4 cent and not to exceed $\frac{6}{100}$ percent of the amounts the
5 Board estimates will be expended from the Trust Fund
6 in the fiscal year.

7 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
8 funds provided under this section with respect to provision
9 of services are in addition to, and not in replacement of,
10 funds made available under the provisions referred to in
11 subsection (a) and shall be administered in accordance
12 with the terms of such provisions. The Board shall make
13 no transfer of funds under this section for any fiscal year
14 for which the total appropriations for the programs au-
15 thorized by such provisions are less than the total amount
16 appropriated for such programs in fiscal year 1993.

17 **Subtitle B—Direct Health Care**
18 **Delivery**

19 **SEC. 711. SETASIDE FOR PUBLIC HEALTH BLOCK GRANTS.**

20 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
21 From the amounts provided under subsection (c), the
22 Board shall make transfers from the American Health Se-
23 curity Trust Fund to the Public Health Service for the
24 following purposes:

1 (1) For payments to States under the maternal
2 and child health block grants under title V of the
3 Social Security Act.

4 (2) Preventive health block grants under part A
5 of title XIX of the Public Health Service Act.

6 (3) Grants to States for community mental
7 health services under subpart I of part B of title
8 XIX of the Public Health Service Act.

9 (4) Grants to States for prevention and treat-
10 ment of substance abuse under subpart II of part B
11 of title XIX of the Public Health Service Act.

12 (5) Grants for HIV health care services under
13 parts A, B, and C of title XXVI of the Public
14 Health Service Act.

15 (b) RANGE OF FUNDS.—The amount of transfers
16 under subsection (a) for any fiscal year shall be an amount
17 (specified by the Board each year) not less than $\frac{1}{10}$ per-
18 cent and not to exceed $\frac{14}{100}$ percent of the amounts the
19 Board estimates will be expended from the Trust Fund
20 in the fiscal year.

21 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
22 funds provided under this section with respect to provision
23 of services are in addition to, and not in replacement of,
24 funds made available under the programs referred to in
25 subsection (a) and shall be administered in accordance

1 with the terms of such programs. The Board shall make
2 no transfer of funds under this section for any fiscal year
3 for which the total appropriations for such programs are
4 less than the total amount appropriated for such programs
5 in fiscal year 1993.

6 **SEC. 712. SETASIDE FOR PRIMARY HEALTH CARE DELIV-**
7 **ERY.**

8 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
9 From the amounts provided under subsection (c), the
10 Board shall make transfers from the American Health Se-
11 curity Trust Fund to the Public Health Service for the
12 program of primary care service expansion grants under
13 subpart V of part D of title III of the Public Health
14 Service Act (as added by section 713 of this Act).

15 (b) RANGE OF FUNDS.—The amount of transfers
16 under subsection (a) for any fiscal year shall be an amount
17 (specified by the Board each year) not less than $\frac{6}{100}$ per-
18 cent and not to exceed $\frac{1}{10}$ percent of the amounts the
19 Board estimates will be expended from the Trust Fund
20 in the fiscal year.

21 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
22 funds provided under this section with respect to provision
23 of services are in addition to, and not in replacement of,
24 funds made available under the sections 329, 330, 340,
25 340A, 1001, and 2655 of the Public Health Service Act.

1 The Board shall make no transfer of funds under this sec-
2 tion for any fiscal year for which the total appropriations
3 for such sections are less than the total amount appro-
4 priated under such sections in fiscal year 1993.

5 **SEC. 713. PRIMARY CARE SERVICE EXPANSION GRANTS.**

6 Part D of title III of the Public Health Service Act
7 (42 U.S.C. 254b et seq.) is amended by adding at the end
8 thereof the following new subpart:

9 **“Subpart V—Primary Care Expansion**

10 **“SEC. 340D. EXPANDING PRIMARY CARE DELIVERY CAPAC-**
11 **ITY IN URBAN AND RURAL AREAS.**

12 “(a) GRANTS FOR PRIMARY CARE CENTERS.—From
13 the amounts described in subsection (c), the American
14 Health Security Standards Board shall make grants to
15 public and nonprofit private entities for projects to plan
16 and develop primary care centers which will serve medi-
17 cally underserved populations (as defined in section
18 330(b)(3)) in urban and rural areas and to deliver primary
19 care services to such populations in such areas. The funds
20 provided under such a grant may be used for the same
21 purposes for which a grant may be made under subsection
22 (c) or (d) of section 330.

23 “(b) PROCESS OF AWARDED GRANTS.—The provi-
24 sions of subsection (e)(1) of section 330 shall apply to a
25 grant under this section in the same manner as they apply

1 to a grant under subsection (c) of such section. The provi-
 2 sions of subsection (g)(3) of such section shall apply to
 3 grants for projects to plan and develop primary care cen-
 4 ters under this section in the same manner as they apply
 5 to grants under such section.

6 “(c) FUNDING AS SET-ASIDE FROM TRUST FUND.—
 7 Funding to carry out this section is provided from the
 8 American Health Security Trust Fund in accordance with
 9 section 912 of the American Health Security Act.

10 “(d) PRIMARY CARE CENTER DEFINED.—In this sec-
 11 tion, the term ‘primary care center’ means—

12 “(1) a migrant health center (as defined in sec-
 13 tion 329(a)(1)),

14 “(2) a community health center (as defined in
 15 section 330(a)),

16 “(3) an entity qualified to receive a grant under
 17 section 340, 340A, 1001, or 2655, or

18 “(4) a Federally-qualified health center (as de-
 19 fined in section 1905(l)(2)(B) of the Social Security
 20 Act).”.

21 **Subtitle C—Primary Care and** 22 **Outcomes Research**

23 **SEC. 721. SET-ASIDE FOR OUTCOMES RESEARCH.**

24 (a) GRANTS FOR OUTCOMES RESEARCH.—From the
 25 amounts provided under subsection (c), the Board shall

1 make transfers from the Trust Fund to the Agency for
2 Health Care Policy and Research under title IX of the
3 Public Health Service Act for the purpose of carrying out
4 activities under such title.

5 (b) RANGE OF FUNDS.—The amount of transfers
6 under subsection (a) for any fiscal year shall be an amount
7 (specified by the Board each year) not less than $\frac{1}{100}$ per-
8 cent and not to exceed $\frac{2}{100}$ percent of the amounts the
9 Board estimates will be expended from the Trust Fund
10 in the fiscal year.

11 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
12 funds provided under this section with respect to provision
13 of services are in addition to, and not in replacement of,
14 funds made available to the Agency for Health Care Policy
15 and Research under section 926 of the Public Health
16 Service Act. The Board shall make no transfer of funds
17 under this section for any fiscal year for which the total
18 appropriations under such section are less than the total
19 amount appropriated under such section and title in fiscal
20 year 1993.

21 (d) CONFORMING AMENDMENT.—Section 926(a) of
22 the Public Health Service Act (42 U.S.C. 299c–5(a)) is
23 amended by striking “\$35,000,000” and all that follows
24 through the end and inserting “for each fiscal year (begin-

1 ning with fiscal year 1994) such sums as may be
2 necessary.”.

3 **SEC. 722. OFFICE OF PRIMARY CARE AND PREVENTION RE-**
4 **SEARCH.**

5 (a) IN GENERAL.—Title IV of the Public Health
6 Service Act, as amended by section 2 of Public Law 101–
7 613, is amended—

8 (1) by redesignating section 486 as section
9 485A;

10 (2) by redesignating parts F through H as
11 parts G through I, respectively; and

12 (3) by inserting after part E the following new
13 part:

14 “PART F—RESEARCH ON PRIMARY CARE AND
15 PREVENTION

16 **“SEC. 486. OFFICE OF PRIMARY CARE AND PREVENTION**
17 **RESEARCH.**

18 “(a) ESTABLISHMENT.—There is established within
19 the Office of the Director of NIH an office to be known
20 as the Office of Primary Care and Prevention Research
21 (in this part referred to as the ‘Office’). The Office shall
22 be headed by a director, who shall be appointed by the
23 Director of NIH.

24 “(b) PURPOSE.—The Director of the Office shall—

1 “(1) identify projects of research on primary
2 care and prevention that should be conducted or
3 supported by the national research institutes, with
4 particular emphasis on—

5 “(A) clinical patient care,

6 “(B) diagnostic effectiveness,

7 “(C) primary care education,

8 “(D) health and family planning services,

9 “(E) medical effectiveness outcomes of pri-
10 mary care procedures and interventions,

11 “(F) the use of multidisciplinary teams of
12 health care practitioners.

13 “(2) identify multidisciplinary research related
14 to primary care and prevention that should be so
15 conducted;

16 “(3) promote coordination and collaboration
17 among entities conducting research identified under
18 any of paragraphs (1) and (2);

19 “(4) encourage the conduct of such research by
20 entities receiving funds from the national research
21 institutes;

22 “(5) recommend an agenda for conducting and
23 supporting such research;

1 “(6) promote the sufficient allocation of the re-
2 sources of the national research institutes for con-
3 ducting and supporting such research; and

4 “(7) prepare the report required in section
5 486B.

6 “(c) PRIMARY CARE AND PREVENTION RESEARCH
7 DEFINED.—For purposes of this part, the term ‘primary
8 care and prevention research’ means research on improve-
9 ment of the practice of family medicine, general internal
10 medicine, and general pediatrics, and includes research
11 relating to—

12 “(1) obstetrics and gynecology, dentistry, or
13 mental health or substance abuse treatment when
14 provided by a primary care physician or other
15 primary care practitioner, and

16 “(2) primary care provided by multidisciplinary
17 teams.

18 **“SEC. 486A. NATIONAL DATA SYSTEM AND CLEARINGHOUSE**
19 **ON PRIMARY CARE AND PREVENTION RE-**
20 **SEARCH.**

21 “(a) DATA SYSTEM.—The Director of NIH, in con-
22 sultation with the Director of the Office, shall establish
23 a data system for the collection, storage, analysis, re-
24 trieval, and dissemination of information regarding pri-
25 mary care and prevention research that is conducted or

1 supported by the national research institutes. Information
2 from the data system shall be available through informa-
3 tion systems available to health care professionals and pro-
4 viders, researchers, and members of the public.

5 “(b) CLEARINGHOUSE.—The Director of NIH, in
6 consultation with the Director of the Office and with the
7 National Library of Medicine, shall establish, maintain,
8 and operate a program to provide, and encourage the use
9 of, information on research and prevention activities of the
10 national research institutes that relate to primary care
11 and prevention research.

12 **“SEC. 486B. BIENNIAL REPORT.**

13 “(a) IN GENERAL.—With respect to primary care
14 and prevention research, the Director of the Office shall,
15 not later than one year after the date of the enactment
16 of this part, and biennially thereafter, prepare a report—

17 “(1) describing and evaluating the progress
18 made during the preceding two fiscal years in re-
19 search and treatment conducted or supported by the
20 National Institutes of Health;

21 “(2) summarizing and analyzing expenditures
22 made by the agencies of such Institutes (and by
23 such Office) during the preceding two fiscal years;
24 and

1 “(3) making such recommendations for legisla-
2 tive and administrative initiatives as the Director of
3 the Office determines to be appropriate.

4 “(b) INCLUSION IN BIENNIAL REPORT OF DIRECTOR
5 OF NIH.—The Director of the Office shall submit each
6 report prepared under subsection (a) to the Director of
7 NIH for inclusion in the report submitted to the President
8 and the Congress under section 403.”.

9 (b) REQUIREMENT OF SUFFICIENT ALLOCATION OF
10 RESOURCES OF INSTITUTES.—Section 402(b) of the Pub-
11 lic Health Service Act (42 U.S.C. 282(b)) is amended—

12 (1) in paragraph (10), by striking “and” after
13 the semicolon at the end;

14 (2) in paragraph (11), by striking the period at
15 the end and inserting “; and”; and

16 (3) by inserting after paragraph (11) the fol-
17 lowing new paragraph:

18 “(12) after consultation with the Director of
19 the Office of Primary Care and Prevention Re-
20 search, shall ensure that resources of the National
21 Institutes of Health are sufficiently allocated for
22 projects on primary care and prevention research
23 that are identified under section 486(b).”.

24 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
25 408 of the Public Health Service Act (42 U.S.C. 284(a))

1 is amended by adding at the end the following new
2 paragraph:

3 “(3) For the Office of Primary Care and Pre-
4 vention Research, there are authorized to be appro-
5 priated \$150,000,000 for fiscal year 1994,
6 \$180,000,000 for fiscal year 1995, and
7 \$216,000,000 for fiscal year 1996.”.

8 (d) CONFORMING AMENDMENT.—Section 485(g) of
9 the Public Health Service Act (42 U.S.C. 287c-2(g)) is
10 amended by striking “section 486” and inserting “section
11 485A”.

12 **TITLE VIII—FINANCING PROVI-**
13 **SIONS; AMERICAN HEALTH**
14 **SECURITY TRUST FUND**

15 **SEC. 800. AMENDMENT OF 1986 CODE; SECTION 15 NOT TO**
16 **APPLY.**

17 (a) AMENDMENT OF 1986 CODE.—Except as other-
18 wise expressly provided, whenever in this title an amend-
19 ment or repeal is expressed in terms of an amendment
20 to, or repeal of, a section or other provision, the reference
21 shall be considered to be made to a section or other provi-
22 sion of the Internal Revenue Code of 1986.

23 (b) SECTION 15 NOT TO APPLY.—The amendments
24 made by subtitle B shall not be treated as a change in

1 a rate of tax for purposes of section 15 of the Internal
2 Revenue Code of 1986.

3 **Subtitle A—American Health**
4 **Security Trust Fund**

5 **SEC. 801. AMERICAN HEALTH SECURITY TRUST FUND.**

6 (a) IN GENERAL.—There is hereby created on the
7 books of the Treasury of the United States a trust fund
8 to be known as the American Health Security Trust Fund
9 (in this section referred to as the “Trust Fund”). The
10 Trust Fund shall consist of such gifts and bequests as
11 may be made and such amounts as may be deposited in,
12 or appropriated to, such Trust Fund as provided in this
13 Act.

14 (b) APPROPRIATIONS INTO TRUST FUND.—

15 (1) TAXES.—There are hereby appropriated to
16 the Trust Fund for each fiscal year (beginning with
17 fiscal year 1995), out of any moneys in the Treasury
18 not otherwise appropriated, amounts equivalent to
19 100 percent of the aggregate increase in tax liabil-
20 ities under the Internal Revenue Code of 1986 which
21 is attributable to the application of the amendments
22 made by this title. The amounts appropriated by the
23 preceding sentence shall be transferred from time to
24 time (but not less frequently than monthly) from the
25 general fund in the Treasury to the Trust Fund,

1 such amounts to be determined on the basis of esti-
2 mates by the Secretary of the Treasury of the taxes
3 paid to or deposited into the Treasury; and proper
4 adjustments shall be made in amounts subsequently
5 transferred to the extent prior estimates were in ex-
6 cess of or were less than the amounts that should
7 have been so transferred.

8 (2) CURRENT PROGRAM RECEIPTS.—Notwith-
9 standing any other provision of law, there are hereby
10 appropriated to the Trust Fund for each fiscal year
11 (beginning with fiscal year 1995) the amounts that
12 would otherwise have been appropriated to carry out
13 the following programs (and any other Federal pro-
14 gram identified by the Board, in consultation with
15 the Secretary of the Treasury, as providing for pay-
16 ment for health services the payment of which may
17 be made under this Act):

18 (A) The medicare program, under parts A
19 and B of title XVIII of the Social Security Act
20 (other than amounts attributable to any pre-
21 miums under such parts).

22 (B) The medicaid program, under State
23 plans approved under title XIX of such Act.

1 (C) The Federal employees health benefit
2 program, under chapter 89 of title 5, United
3 States Code.

4 (D) The CHAMPUS program, under chap-
5 ter 55 of title 10, United States Code.

6 (c) INCORPORATION OF PROVISIONS.—The provisions
7 of subsections (b) through (i) of section 1817 of the Social
8 Security Act shall apply to the Trust Fund under this Act
9 in the same manner as they applied to the Federal Hos-
10 pital Insurance Trust Fund under part A of title XVIII
11 of such Act, except that the American Health Security
12 Standards Board shall constitute the Board of Trustees
13 of the Trust Fund.

14 (d) TRANSFER OF FUNDS.—Any amounts remaining
15 in the Federal Hospital Insurance Trust Fund or the Fed-
16 eral Supplementary Medical Insurance Trust Fund after
17 the settlement of claims for payments under title XVIII
18 have been completed, shall be transferred into the Amer-
19 ican Health Security Trust Fund.

1 **Subtitle B—Increases in Corporate**
 2 **and Individual Income Tax**
 3 **Rates; Health Security Pre-**
 4 **mium; Surtax on Individuals**
 5 **With Incomes Over \$1,000,000**

6 **SEC. 811. INCREASES IN REGULAR INCOME TAX RATES.**

7 (a) INCREASE IN TOP CORPORATE INCOME TAX
 8 RATE.—Subparagraph (C) of section 1(b)(1) (relating to
 9 tax imposed on corporations) is amended by striking “34
 10 percent” and inserting “38 percent”.

11 (b) INCREASE IN INDIVIDUAL INCOME TAXES.—Sec-
 12 tion 1 (relating to tax imposed) as amended by striking
 13 subsections (a) through (e) and inserting the following:

14 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS
 15 AND SURVIVING SPOUSES.—There is hereby imposed on
 16 the taxable income of—

17 “(1) every married individual (as defined in sec-
 18 tion 7703) who makes a single return jointly with
 19 his spouse under section 6013, and

20 “(2) every surviving spouse (as defined in sec-
 21 tion 2(a)), a tax determined in accordance with the
 22 following table:

“If taxable income is:	The tax is:
Not over \$38,000	15% of taxable income.
Over \$38,000 but not over \$91,900.	\$5,700, plus 31% of the excess over \$38,000.
Over \$91,900 but not over \$200,000.	\$22,409, plus 34% of the excess over \$91,900.

“If taxable income is:

Over \$200,000

The tax is:

\$59,163, plus 38% of the excess over \$200,000.

1 “(b) HEADS OF HOUSEHOLDS.—There is hereby im-
 2 posed on the taxable income of every head of a household
 3 (as defined in section 2(b)) a tax determined in accordance
 4 with the following table:

“If taxable income is:

Not over \$30,500

Over \$30,500 but not over \$78,750.

Over \$78,750 but not over \$172,000.

Over \$172,000

The tax is:

15% of taxable income.

\$4,575, plus 31% of the excess over \$30,500.

\$19,532.50, plus 34% of the excess over \$78,750.

\$51,237.50, plus 38% of the excess over \$172,000.

5 “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-
 6 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There
 7 is hereby imposed on the taxable income of every individ-
 8 ual (other than a surviving spouse as defined in section
 9 2(a) or the head of a household as defined in section 2(b))
 10 who is not a married individual (as defined in section 770)
 11 a tax determined in accordance with the following table:

“If taxable income is:

Not over \$22,750

Over \$22,750 but not over \$55,150.

Over \$55,150 but not over \$120,000.

Over \$120,000

The tax is:

15% of taxable income.

\$3,412.50, plus 31% of the excess over \$22,750.

\$13,456.50, plus 34% of the excess over \$55,150.

\$35,505, plus 38% of the excess over \$120,000.

12 “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-
 13 TURNS.—There is hereby imposed on the taxable income
 14 of every married individual (as defined in section 7703)
 15 who does not make a single return jointly with his spouse

1 under section 6013, a tax determined in accordance with
 2 the following table:

“If taxable income is:	The tax is:
Not over \$19,000	15% of taxable income.
Over \$19,000 but not over \$45,950.	\$2,850, plus 31% of the excess over \$19,000.
Over \$45,950 but not over \$100,000.	\$11,204.50, plus 34% of the excess over \$45,950.
Over \$100,000	\$29,581.50, plus 38% of the excess over \$100,000.

3 “(e) ESTATES AND TRUSTS.—There is hereby im-
 4 posed on the taxable income of—

5 “(1) every estate, and

6 “(2) every trust,

7 taxable under this subsection a tax determined in accord-
 8 ance with the following table:

“If taxable income is:	The tax is:
Not over \$3,000	15% of taxable income.
Over \$3,000 but not over \$5,000 ..	\$450, plus 31% of the excess over \$3,000.
Over \$5,000 but not over \$7,000 ..	\$1,070, plus 34% of the excess over \$5,000.
Over \$7,000	\$1,750, plus 38% of the excess over \$7,000.”

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 541 is amended by striking “28
 11 percent” and inserting “38 percent”.

12 (2)(A) Subsection (f) of section 1 is amended—

13 (i) by striking “1990” in paragraph (1)
 14 and inserting “1995”, and

15 (ii) by striking “1989” in paragraph

16 (3)(B) and inserting “1994”.

1 (B) Subparagraph (B) of section 32(i)(1) is
2 amended by striking “1989” and inserting “1994”.

3 (C) Subparagraph (C) of section 41(e)(5) is
4 amended by striking “1989” each place it appears
5 and inserting “1994”.

6 (D) Subparagraph (B) of section 63(c)(4) is
7 amended by striking “1989” and inserting “1994”.

8 (E) Subparagraph (B) of section 68(b)(2) is
9 amended by striking “1989” and inserting “1994”.

10 (F) Subparagraphs (A)(ii) and (B)(ii) of section
11 151(d)(4) are each amended by striking “1989” and
12 inserting “1994”.

13 (G) Clause (ii) of section 513(h)(2)(C) is
14 amended by striking “1989” and inserting “1994”.

15 (H) Subsection (a) of section 1201 is amended
16 by striking “34 percent” each place it appears and
17 inserting “38 percent”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 1994.

21 **SEC. 812. INCREASES IN MINIMUM TAX RATES.**

22 (a) IN GENERAL.—Subparagraph (A) of section
23 55(b)(1) (relating to tentative minimum tax) is amended
24 by striking “20 percent (24 percent)” and inserting “25
25 percent (28 percent”.

1 (b) CONFORMING AMENDMENT.—Paragraph (2) of
 2 section 897(a) is amended by striking “21” in the heading
 3 of such paragraph and in subparagraph (A) and inserting
 4 “28”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 1994.

8 **SEC. 813. HEALTH SECURITY PREMIUM.**

9 (a) GENERAL RULE.—Subchapter A of chapter 1 (re-
 10 lating to determination of tax liability) is amended by add-
 11 ing at the end thereof the following new part:

12 **“PART VIII—HEALTH SECURITY PREMIUM**

“Sec. 59B. Imposition of premium.

13 **“SEC. 59B. IMPOSITION OF PREMIUM.**

14 “(a) GENERAL RULE.—In the case of an individual—

15 “(1) the amount of the tax imposed under sec-
 16 tion 1 for such taxable year shall be increased by 7.5
 17 percent of the tax imposed under section 1 for such
 18 taxable year (determined without regard to this
 19 paragraph and section 59C), and

20 “(2) the amount of the tentative minimum tax
 21 determined under section 55 for such taxable year
 22 shall be increased by 7.5 percent of the amount of
 23 the tentative minimum tax for such taxable year (de-

1 terminated without regard to this paragraph and
2 59D).

3 “(b) SPECIAL RULES.—

4 “(1) SURTAX TO APPLY TO ESTATES AND
5 TRUSTS.—For purposes of this section, the term ‘in-
6 dividual’ includes any estate or trust taxable under
7 section 1.

8 “(2) COORDINATION WITH OTHER PROVI-
9 SIONS.—The provisions of this section shall be ap-
10 plied—

11 “(A) shall be applied after the application
12 of section 1(h), but

13 “(B) before the application of any other
14 provision of this title which refers to the
15 amount of tax imposed by section 1 or 55, as
16 the case may be.”

17 (b) CLERICAL AMENDMENT.—The table of parts for
18 subchapter A of chapter 1 is amended by adding at the
19 end the following new item:

 “Part VIII. Health security premium.”

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1993.

1 **SEC. 814. SURTAX ON INDIVIDUALS WITH INCOMES OVER**
 2 **\$1,000,000.**

3 (a) GENERAL RULE.—Subchapter A of chapter 1 (re-
 4 lating to determination of tax liability) is amended by
 5 adding at the end thereof the following new part:

6 **“PART IX—SURTAX ON INDIVIDUALS WITH**
 7 **INCOMES OVER \$1,000,000**

“Sec. 59C. Surtax on section 1 tax.

“Sec. 59D. Surtax on minimum tax.

“Sec. 59E. Special rules.

8 **“SEC. 59C. SURTAX ON SECTION 1 TAX.**

9 “In the case of an individual who has taxable income
 10 for the taxable year in excess of \$1,000,000, the amount
 11 of the tax imposed under section 1 for such taxable year
 12 shall be increased by 10 percent of the amount which
 13 bears the same ratio to the tax imposed under section 1
 14 (determined without regard to this section and section
 15 59B) as—

16 “(1) the amount by which the taxable income of
 17 such individual for such taxable year exceeds
 18 \$1,000,000, bears to

19 “(2) the total amount of such individual’s tax-
 20 able income for such taxable year.

21 **“SEC. 59D. SURTAX ON MINIMUM TAX.**

22 “In the case of an individual who has alternative min-
 23 imum taxable income for the taxable year in excess of
 24 \$1,000,000, the amount of the tentative minimum tax de-

1 terminated under section 55 for such taxable year shall be
2 increased by 2.8 percent of the amount by which the alter-
3 native minimum taxable income of such taxpayer for the
4 taxable year exceeds \$1,000,000.

5 **“SEC. 59E. SPECIAL RULES.**

6 “(a) SURTAX TO APPLY TO ESTATES AND
7 TRUSTS.—For purposes of this part, the term ‘individual’
8 includes any estate or trust taxable under section 1.

9 “(b) TREATMENT OF MARRIED INDIVIDUALS FILING
10 SEPARATE RETURNS.—In the case of a married individual
11 (within the meaning of section 7703) filing a separate re-
12 turn for the taxable year, sections 59C and 59D shall be
13 applied by substituting ‘\$500,000’ for ‘\$1,000,000’.

14 “(c) COORDINATION WITH OTHER PROVISIONS.—
15 The provisions of this part—

16 “(1) shall be applied after the application of
17 sections 1(h) and 59B, but

18 “(2) before the application of any other provi-
19 sion of this title which refers to the amount of tax
20 imposed by section 1 or 55, as the case may be.”

21 (b) CLERICAL AMENDMENT.—The table of parts for
22 subchapter A of chapter 1 is amended by adding at the
23 end the following new item:

“Part IX. Surtax on individuals with incomes over \$1,000,000.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **Subtitle C—Employment Tax**
5 **Changes**

6 **SEC. 821. MODIFICATIONS OF CERTAIN EMPLOYMENT TAX**
7 **PROVISIONS.**

8 (a) INCREASE IN EMPLOYER HOSPITAL INSURANCE
9 TAX; REPEAL OF DOLLAR LIMITATION ON AMOUNT OF
10 WAGES SUBJECT TO EMPLOYEE AND EMPLOYER HOS-
11 PITAL INSURANCE TAXES.—

12 (1) EMPLOYEE TAX.—Subsection (b) of section
13 3101 is amended by striking “equal to” and all that
14 follows and inserting “equal to 1.45 percent of the
15 wages (as defined in section 3121(a) without regard
16 to paragraph (1) thereof) received by him with re-
17 spect to employment (as defined in section
18 3121(b))”.

19 (2) EMPLOYER TAX.—Subsection (b) of section
20 3111 is amended by striking “equal to” and all that
21 follows and inserting “equal to 7.9 percent of the
22 wages (as defined in section 3121(a) without regard
23 to paragraph (1) thereof) paid by him with respect
24 to employment (as defined in section 3121(b))”.

1 (3) SELF-EMPLOYMENT TAX.—Subsection (b)
2 of section 1401 is amended by striking “a tax as fol-
3 lows:” and all that follows and inserting “a tax
4 equal to 8.35 percent of the amount of the self-em-
5 ployment income (as defined in section 1402(b)
6 without regard to paragraph (1) thereof) for such
7 taxable year”.

8 (4) RAILROAD RETIREMENT TAXES.—Subpara-
9 graph (A) of section 3231(e)(2) is amended by add-
10 ing at the end thereof the following new clause:

11 “(iii) LIMITATION NOT TO APPLY TO
12 TAXES EQUIVALENT TO HOSPITAL INSUR-
13 ANCE TAXES.—Clause (i) shall not apply
14 to—

15 “(I) so much of the rate applica-
16 ble under section 3201(a) or 3221(a)
17 (as the case may be) as does not ex-
18 ceed the rate of tax in effect under
19 section 3101(b), and

20 “(II) so much of the rate of tax
21 applicable under section 3211(a)(1) as
22 does not exceed the rate of tax in ef-
23 fect under section 1401(b).”

24 (5) TECHNICAL AMENDMENTS.—

1 (A) Subsection (b) of section 1402 is
2 amended by striking “the applicable contribu-
3 tion base (as determined under subsection (k))”
4 and inserting “the contribution and benefit base
5 (as determined under section 231 of the Social
6 Security Act)”.

7 (B) Section 1402 is amended by striking
8 subsection (k).

9 (C) Paragraph (1) of section 3121(a) is
10 amended—

11 (i) by striking “applicable contribution
12 base (as determined under subsection (x))”
13 each place it appears and inserting “con-
14 tribution and benefit base (as determined
15 under section 230 of the Social Security
16 Act)”, and

17 (ii) by striking “such applicable con-
18 tribution base” and inserting “such con-
19 tribution and benefit base”.

20 (D) Section 3121 is amended by striking
21 subsection (x).

22 (E) Clause (i) of section 3231(e)(2)(B) is
23 amended to read as follows:

24 “(i) TIER 1 TAXES.—Except as pro-
25 vided in clause (ii), the term ‘applicable

1 base’ means for any calendar year the con-
2 tribution and benefit base determined
3 under section 230 of the Social Security
4 Act for such calendar year.”

5 (F) Paragraph (3) of section 6413(c) is
6 amended to read as follows:

7 “(3) SEPARATE APPLICATION FOR HOSPITAL
8 INSURANCE TAXES.—Paragraphs (1) and (2) shall
9 not apply to—

10 “(A) the tax imposed by section 3101(b)
11 (or any amount equivalent to such tax), and

12 “(B) so much of the tax imposed by sec-
13 tion 3201 as is determined at a rate not greater
14 than the rate in effect under section 3101(b).”

15 (G) Sections 3122 and 3125 are each
16 amended—

17 (i) by striking “section 3111” each
18 place it appears and inserting “section
19 3111(a)”, and

20 (ii) by striking “applicable contribu-
21 tion base limitation” and inserting “con-
22 tribution and benefit base limitation”.

23 (6) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply to 1994 and later cal-
25 endar years.

1 (b) ADDITIONAL STATE AND LOCAL EMPLOYEES
2 SUBJECT TO HOSPITAL INSURANCE TAX.—

3 (1) IN GENERAL.—Paragraph (2) of section
4 3121(u) is amended by striking subparagraphs (C)
5 and (D).

6 (2) EFFECTIVE DATE.—The amendment made
7 by this subsection shall apply to remuneration paid
8 after December 31, 1994.

9 **Subtitle D—Other Revenue In-**
10 **creases Primarily Affecting In-**
11 **dividuals**

12 **SEC. 831. OVERALL LIMITATION ON ITEMIZED DEDUCTIONS**
13 **FOR HIGH-INCOME TAXPAYERS MADE PER-**
14 **MANENT.**

15 Subsection (f) of section 68 (relating to overall limita-
16 tion on itemized deductions) is hereby repealed.

17 **SEC. 832. PHASEOUT OF PERSONAL EXEMPTION OF HIGH-**
18 **INCOME TAXPAYERS MADE PERMANENT.**

19 Section 151(d)(3) (relating to phaseout of personal
20 exemption) is amended by striking subparagraph (E).

21 **SEC. 833. MODIFICATIONS TO DEDUCTIONS FOR CERTAIN**
22 **MOVING EXPENSES.**

23 (a) REPEAL OF DEDUCTION FOR QUALIFIED RESI-
24 DENCE SALE, ETC., EXPENSES.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 217(b) (defining moving expenses) is amended by in-
3 serting “or” at the end of subparagraph (C), by
4 striking “, or” at the end of subparagraph (D) and
5 inserting a period, and by striking subparagraph
6 (E).

7 (2) CONFORMING AMENDMENTS.—

8 (A) Subsection (b) of section 217 is
9 amended by striking paragraph (2) and redesign-
10 nating paragraph (3) as paragraph (2).

11 (B) Section 217 is amended by striking
12 subsection (e).

13 (b) DEDUCTION DISALLOWED FOR MEAL EX-
14 PENSES.—Paragraph (1) of section 217(b) is amended—

15 (1) by striking “meals and lodging” in subpara-
16 graphs (B), (C) and (D) and inserting “lodging”,
17 and

18 (2) by adding at the end thereof the following
19 new sentence:

20 “Such term shall not include any expenses for
21 meals.”.

22 (c) OVERALL LIMITATION.—

23 (1) IN GENERAL.—Subparagraph (A) of section
24 217(b)(2) (as redesignated by subsection (a)) is
25 amended to read as follows:

1 “(A) DOLLAR LIMITS.—The aggregate
2 amount allowable as a deduction under sub-
3 section (a) in connection with a commencement
4 of work shall not exceed \$5,000. The aggregate
5 amount allowable as a deduction under sub-
6 section (a) in connection with a commencement
7 of work which is attributable to expenses de-
8 scribed in subparagraphs (C) or (D) of para-
9 graph (1) shall not exceed \$1,500.”

10 (2) CONFORMING AMENDMENTS.—

11 (A) Subparagraph (B) of section 217(b)(2)
12 (as so redesignated) is amended by striking the
13 second sentence and inserting the following: “In
14 the case of a husband and wife filing separate
15 returns, subparagraph (A) shall be applied by
16 substituting ‘\$750’ for ‘\$1,500’, and by sub-
17 stituting ‘\$2,500’ for ‘\$5,000’.”

18 (B) Paragraph (1) of section 217(h) is
19 amended by striking subparagraphs (B) and
20 (C) and inserting the following:

21 “(B) subsection (b)(2)(A) shall be applied
22 by substituting ‘\$4,500’ for ‘\$1,500’, and

23 “(C) appropriate adjustments to the appli-
24 cation of the last sentence of subsection
25 (b)(2)(B) shall be made to take into account

1 the provisions of subparagraph (B) of this para-
 2 graph.”

3 (d) INCREASE IN MILEAGE REQUIREMENTS.—Para-
 4 graph (1) of section 217(c) is amended by striking “35
 5 miles” each place it appears and inserting “60 miles”.

6 (e) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 1994.

9 **SEC. 834. TOP ESTATE AND GIFT TAX RATES MADE PERMA-**
 10 **NENT.**

11 (a) GENERAL RULE.—The table contained in para-
 12 graph (1) of section 2001(c) is amended by striking the
 13 last item and inserting the following new items:

“Over \$2,500,000 but not over \$3,000,000.	\$1,025,800, plus 53% of the excess over \$2,500,000.
Over \$3,000,000	\$1,290,800, plus 55% of the excess over \$3,000,000.”

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subsection (c) of section 2001 is amended
 16 by striking paragraph (2) and by redesignating
 17 paragraph (3) as paragraph (2).

18 (2) Paragraph (2) of section 2001(c), as redes-
 19 igned by paragraph (1), is amended by striking
 20 “(\$18,340,000 in the case of decedents dying, and
 21 gifts made, after 1992)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply in the case of decedents dying, and
3 gifts made, after December 31, 1994.

4 **SEC. 835. ELIMINATION OF DEDUCTION FOR CLUB MEM-**
5 **BERSHIP FEES.**

6 (a) IN GENERAL.—Subsection (a) of section 274 (re-
7 lating to disallowance of certain entertainment, etc., ex-
8 penses) is amended by adding at the end thereof the fol-
9 lowing new paragraph:

10 “(3) DENIAL OF DEDUCTION FOR CLUB
11 DUES.—Notwithstanding the preceding provisions of
12 this subsection, no deduction shall be allowed under
13 this chapter for amounts paid or incurred for mem-
14 bership in any club organized for business, pleasure,
15 recreation, or other social purpose.”

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to amounts paid or incurred after
18 December 31, 1994.

19 **SEC. 836. INCREASE OF SOCIAL SECURITY BENEFITS IN-**
20 **CLUDED IN INCOME.**

21 (a) IN GENERAL.—Subsections (a) and (b) of section
22 86 are each amended by striking “one-half” each place
23 it appears and inserting “85 percent”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **SEC. 837. LONG-TERM HEALTH CARE PREMIUM FOR THE**
5 **ELDERLY.**

6 (a) IN GENERAL.—Except as provided in subsection
7 (b), each individual who at any time in a month is 65
8 years of age or older and is eligible for benefits under title
9 XXI of the Social Security Act in the month shall pay
10 a long-term care/health care premium for the month of
11 \$65.

12 (b) EXCEPTION FOR LOW-INCOME ELDERLY.—The
13 Secretary of Health and Human Services shall provide a
14 process whereby individuals with an adjusted gross income
15 which does not exceed \$8,500 (or \$10,700 in the case of
16 joint adjusted gross income in the case of a married indi-
17 vidual) are not liable for the premium imposed under
18 paragraph (1).

19 (c) COLLECTION OF PREMIUM.—The premium im-
20 posed under this section shall be collected in the same
21 manner (including deduction from Social Security checks)
22 as the premium imposed under part B of title XVIII of
23 the Social Security Act was collected under section 1840
24 of such Act as of the date of the enactment of this Act.

1 (d) DEPOSIT INTO NATIONAL HEALTH TRUST
2 FUND.—Premiums collected under this section shall be
3 transferred to and deposited into the National Health
4 Trust Fund in the same manner as premiums collected
5 under section 1840 of the Social Security Act were
6 transferred and deposited into the Federal Supple-
7 mentary Medical Insurance Trust Fund.

8 (e) COST-OF-LIVING ADJUSTMENT OF PREMIUM.—In
9 the case of months beginning in any calendar year after
10 1996, the dollar amount contained in paragraph (1) shall
11 be increased by an amount equal to such dollar amount,
12 multiplied by the cost-of-living adjustment determined
13 under section 1(f)(3) for the calendar year in which the
14 month begins.

15 (f) APPLICATION OF SECTION.—This section shall
16 apply to months beginning after December 31, 1994.

17 **Subtitle E—Other Revenue In-**
18 **creases Primarily Affecting**
19 **Businesses**

20 **SEC. 841. MARK TO MARKET ACCOUNTING METHOD FOR**
21 **SECURITIES DEALERS.**

22 (a) GENERAL RULE.—Subpart D of part II of sub-
23 chapter E of chapter 1 (relating to inventories) is
24 amended by adding at the end thereof the following new
25 section:

1 **“SEC. 475. MARK TO MARKET ACCOUNTING METHOD FOR**
2 **DEALERS IN SECURITIES.**

3 “(a) GENERAL RULE.—Notwithstanding any other
4 provision of this subpart, the following rules shall apply
5 to securities held by a dealer in securities:

6 “(1) Any security which is inventory in the
7 hands of the dealer shall be included in inventory at
8 its fair market value.

9 “(2) In the case of any security which is not in-
10 ventory in the hands of the dealer and which is held
11 at the close of any taxable year—

12 “(A) the dealer shall recognize gain or loss
13 as if such security were sold for its fair market
14 value on the last business day of such taxable
15 year, and

16 “(B) any gain or loss shall be taken into
17 account for such taxable year.

18 Proper adjustment shall be made in the amount of
19 any gain or loss subsequently realized for gain or
20 loss taken into account under the preceding sen-
21 tence. The Secretary may provide by regulations for
22 the application of this paragraph at times other than
23 the times provided in this paragraph.

24 “(b) EXCEPTIONS.—

25 “(1) IN GENERAL.—Subsection (a) shall not
26 apply to—

1 “(A) any security held for investment,

2 “(B)(i) any security described in sub-
3 section (c)(2)(C) which is acquired (including
4 originated) by the taxpayer in the ordinary
5 course of a trade or business of the taxpayer
6 and which is not held for sale, and (ii) any obli-
7 gation to acquire a security described in clause
8 (i) if such obligation is entered into in the ordi-
9 nary course of such trade or business and is not
10 held for sale, and

11 “(C) any security which is a hedge with re-
12 spect to—

13 “(i) a security to which subsection (a)
14 does not apply, or

15 “(ii) a position, right to income, or a
16 liability which is not a security in the
17 hands of the taxpayer.

18 To the extent provided in regulations, subparagraph
19 (C) shall not apply to any security held by a person
20 in its capacity as a dealer in securities.

21 “(2) IDENTIFICATION REQUIRED.—A security
22 shall not be treated as described in subparagraph
23 (A), (B), or (C) of paragraph (1), as the case may
24 be, unless such security is clearly identified in the
25 dealer’s records as being described in such subpara-

1 graph before the close of the day on which it was ac-
2 quired, originated, or entered into (or such other
3 time as the Secretary may by regulations prescribe).

4 “(3) SECURITIES SUBSEQUENTLY NOT EX-
5 EMPT.—If a security ceases to be described in para-
6 graph (1) at any time after it was identified as such
7 under paragraph (2), subsection (a) shall apply to
8 any changes in value of the security occurring after
9 the cessation.

10 “(4) SPECIAL RULE FOR PROPERTY HELD FOR
11 INVESTMENT.—To the extent provided in regula-
12 tions, subparagraph (A) of paragraph (1) shall not
13 apply to any security described in subparagraph (D)
14 or (E) of subsection (c)(2) which is held by a dealer
15 in such securities.

16 “(c) DEFINITIONS.—For purposes of this section—

17 “(1) DEALER IN SECURITIES DEFINED.—The
18 term ‘dealer in securities’ means a taxpayer who—

19 “(A) regularly purchases securities from or
20 sells securities to customers in the ordinary
21 course of a trade or business; or

22 “(B) regularly offers to enter into, assume,
23 offset, assign or otherwise terminate positions
24 in securities with customers in the ordinary
25 course of a trade or business.

1 “(2) SECURITY DEFINED.—The term ‘security’
2 means any—

3 “(A) share of stock in a corporation;

4 “(B) partnership or beneficial ownership
5 interest in a widely held or publicly traded part-
6 nership or trust;

7 “(C) note, bond, debenture, or other evi-
8 dence of indebtedness;

9 “(D) interest rate, currency, or equity no-
10 tional principal contract;

11 “(E) evidence of an interest in, or a deriv-
12 ative financial instrument in, any security de-
13 scribed in subparagraph (A), (B), (C), or (D),
14 or any currency, including any option, forward
15 contract, short position, and any similar finan-
16 cial instrument in such a security or currency;
17 and

18 “(F) position which—

19 “(i) is not a security described in sub-
20 paragraph (A), (B), (C), (D), or (E),

21 “(ii) is a hedge with respect to such
22 a security, and

23 “(iii) is clearly identified in the deal-
24 er’s records as being described in this sub-
25 paragraph before the close of the day on

1 which it was acquired or entered into (or
2 such other time as the Secretary may by
3 regulations prescribe).

4 Subparagraph (E) shall not include any contract to
5 which section 1256(a) applies.

6 “(3) HEDGE.—The term ‘hedge’ means any po-
7 sition which reduces the dealer’s risk of interest rate
8 or price changes or currency fluctuations, including
9 any position which is reasonably expected to become
10 a hedge within 60 days after the acquisition of the
11 position.

12 “(d) SPECIAL RULES.—For purposes of this sec-
13 tion—

14 “(1) COORDINATION WITH CERTAIN RULES.—
15 The rules of sections 263(g), 263A, and 1256(a)
16 shall not apply to securities to which subsection (a)
17 applies, and section 1091 shall not apply (and sec-
18 tion 1092 shall apply) to any loss recognized under
19 subsection (a).

20 “(2) IMPROPER IDENTIFICATION.—If a tax-
21 payer—

22 “(A) identifies any security under sub-
23 section (b)(2) as being described in subsection
24 (b)(1) and such security is not so described, or

1 “(B) fails under subsection (c)(2)(F)(iii) to
2 identify any position which is described in sub-
3 section (c)(2)(F) (without regard to clause (iii)
4 thereof) at the time such identification is
5 required,

6 the provisions of subsection (a) shall apply to such
7 security or position, except that any loss under this
8 section prior to the disposition of the security or po-
9 sition shall be recognized only to the extent of gain
10 previously recognized under this section (and not
11 previously taken into account under this paragraph)
12 with respect to such security or position.

13 “(3) CHARACTER OF GAIN OR LOSS.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B) or section 1236(b)—

16 “(i) IN GENERAL.—Any gain or loss
17 with respect to a security under subsection
18 (a)(2) shall be treated as ordinary income
19 or loss.

20 “(ii) SPECIAL RULE FOR DISPOSI-
21 TIONS.—If—

22 “(I) gain or loss is recognized
23 with respect to a security before the
24 close of the taxable year, and

1 “(II) subsection (a)(2) would
2 have applied if the security were held
3 as of the close of the taxable year,
4 such gain or loss shall be treated as ordi-
5 nary income or loss.

6 “(B) EXCEPTION.—Subparagraph (A)
7 shall not apply to any gain or loss which is allo-
8 cable to a period during which—

9 “(i) the security is described in sub-
10 section (b)(1)(C) (without regard to sub-
11 section (b)(2)),

12 “(ii) the security is held by a person
13 other than in connection with its activities
14 as a dealer in securities, or

15 “(iii) the security is improperly identi-
16 fied (within the meaning of subparagraph
17 (A) or (B) of paragraph (2)).

18 “(e) REGULATORY AUTHORITY.—The Secretary shall
19 prescribe such regulations as may be necessary or appro-
20 priate to carry out the purposes of this section, including
21 rules—

22 “(1) to prevent the use of year-end transfers,
23 related parties, or other arrangements to avoid the
24 provisions of this section, and

1 “(2) to provide for the application of this sec-
2 tion to any security which is a hedge which cannot
3 be identified with a specific security, position, right
4 to income, or liability.”

5 (b) CONFORMING AMENDMENTS.—

6 (1) Paragraph (1) of section 988(d) is amend-
7 ed—

8 (A) by striking “section 1256” and insert-
9 ing “section 475 or 1256”, and

10 (B) by striking “1092 and 1256” and in-
11 serting “475, 1092, and 1256”.

12 (2) The table of sections for subpart D of part
13 II of subchapter E of chapter 1 is amended by add-
14 ing at the end thereof the following new item:

“Sec. 475. Mark to market accounting method for dealers in secu-
rities.”

15 (c) EFFECTIVE DATE.—

16 (1) IN GENERAL.—The amendments made by
17 this section shall apply to all taxable years ending on
18 or after December 31, 1994.

19 (2) CHANGE IN METHOD OF ACCOUNTING.—In
20 the case of any taxpayer required by this section to
21 change its method of accounting for any taxable
22 year—

23 (A) such change shall be treated as initi-
24 ated by the taxpayer,

1 (B) such change shall be treated as made
2 with the consent of the Secretary, and

3 (C) the net amount of the adjustments re-
4 quired to be taken into account by the taxpayer
5 under section 481 of the Internal Revenue Code
6 of 1986 shall be taken into account ratably over
7 the 4-taxable year period beginning with the
8 first taxable year ending on or after Decem-
9 ber 31, 1994.

10 **SEC. 842. INCREASE IN RECOVERY PERIOD FOR**
11 **NONRESIDENTIAL REAL PROPERTY.**

12 (a) GENERAL RULE.—Paragraph (1) of section
13 168(c) (relating to applicable recovery period) is amended
14 by striking the item relating to nonresidential real prop-
15 erty and inserting the following:

“Nonresidential real property 40 years.”.

16 (b) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendment made by subsection (a)
19 shall apply to property placed in service by the tax-
20 payer after December 31, 1994.

21 (2) EXCEPTION.—The amendments made by
22 this section shall not apply to property placed in
23 service by the taxpayer before January 1, 1996, if—

24 (A) the taxpayer or a qualified person en-
25 tered into a binding written contract to pur-

1 chase or construct such property before Decem-
2 ber 31, 1994, or

3 (B) the construction of such property was
4 commenced by or for the taxpayer or a qualified
5 person before December 31, 1994.

6 For purposes of this paragraph, the term “qualified
7 person” means any person who transfers his rights
8 in such a contract or such property to the taxpayer
9 but only if the property is not placed in service by
10 such person before such rights are transferred to the
11 taxpayer.

12 **SEC. 843. TAXATION OF INCOME OF CONTROLLED FOREIGN**
13 **CORPORATIONS ATTRIBUTABLE TO IM-**
14 **PORTED PROPERTY.**

15 (a) GENERAL RULE.—Subsection (a) of section 954
16 (defining foreign base company income) is amended by
17 striking “and” at the end of paragraph (4), by striking
18 the period at the end of paragraph (5) and inserting “,
19 and”, and by adding at the end thereof the following new
20 paragraph:

21 “(6) imported property income for the taxable
22 year (determined under subsection (h) and reduced
23 as provided in subsection (b)(5)).”

1 (b) DEFINITION OF IMPORTED PROPERTY IN-
2 COME.—Section 954 is amended by adding at the end
3 thereof the following new subsection:

4 “(h) IMPORTED PROPERTY INCOME.—

5 “(1) IN GENERAL.—For purposes of subsection
6 (a)(6), the term ‘imported property income’ means
7 income (whether in the form of profits, commissions,
8 fees, or otherwise) derived in connection with—

9 “(A) manufacturing, producing, growing,
10 or extracting imported property,

11 “(B) the sale, exchange, or other disposi-
12 tion of imported property, or

13 “(C) the lease, rental, or licensing of im-
14 ported property.

15 Such term shall not include any foreign oil and gas
16 extraction income (within the meaning of section
17 907(c)) or any foreign oil related income (within the
18 meaning of section 907(c)).

19 “(2) IMPORTED PROPERTY.—For purposes of
20 this subsection—

21 “(A) IN GENERAL.—Except as otherwise
22 provided in this paragraph, the term ‘imported
23 property’ means property which is imported
24 into the United States by the controlled foreign
25 corporation or a related person.

1 “(B) IMPORTED PROPERTY INCLUDES CER-
2 TAIN PROPERTY IMPORTED BY UNRELATED
3 PERSONS.—The term ‘imported property’ in-
4 cludes any property imported into the United
5 States by an unrelated person if, when such
6 property was sold to the unrelated person by
7 the controlled foreign corporation (or a related
8 person), it was reasonable to expect that—

9 “(i) such property would be imported
10 into the United States, or

11 “(ii) such property would be used as
12 a component in other property which would
13 be imported into the United States.

14 “(C) EXCEPTION FOR PROPERTY SUBSE-
15 QUENTLY EXPORTED.—The term ‘imported
16 property’ does not include any property which is
17 imported into the United States and which—

18 “(i) before substantial use in the
19 United States, is sold, leased, or rented by
20 the controlled foreign corporation or a re-
21 lated person for direct use, consumption,
22 or disposition outside the United States, or

23 “(ii) is used by the controlled foreign
24 corporation or a related person as a com-

1 ponent in other property which is so sold,
2 leased, or rented.

3 “(3) DEFINITIONS AND SPECIAL RULES.—

4 “(A) IMPORT.—For purposes of this sub-
5 section, the term ‘import’ means entering, or
6 withdrawal from warehouse, for consumption or
7 use. Such term includes any grant of the right
8 to use an intangible (as defined in section
9 936(b)(3)(B)) in the United States.

10 “(B) UNRELATED PERSON.—For purposes
11 of this subsection, the term ‘unrelated person’
12 means any person who is not a related person
13 with respect to the controlled foreign corpora-
14 tion.

15 “(C) COORDINATION WITH FOREIGN BASE
16 COMPANY SALES INCOME.—For purposes of this
17 section, the term ‘foreign base company sales
18 income’ shall not include any imported property
19 income.”

20 (c) SEPARATE APPLICATION OF LIMITATIONS ON
21 FOREIGN TAX CREDIT FOR IMPORTED PROPERTY IN-
22 COME.—

23 (1) IN GENERAL.—Paragraph (1) of section
24 904(d) (relating to separate application of section
25 with respect to certain categories of income) is

1 amended by striking “and” at the end of subpara-
2 graph (H), by redesignating subparagraph (I) as
3 subparagraph (J), and by inserting after subpara-
4 graph (H) the following new subparagraph:

5 “(I) imported property income, and”.

6 (2) IMPORTED PROPERTY INCOME DEFINED.—

7 Paragraph (2) of section 904(d) is amended by re-
8 designating subparagraphs (H) and (I) as subpara-
9 graphs (I) and (J), respectively, and by inserting
10 after subparagraph (G) the following new subpara-
11 graph:

12 “(H) IMPORTED PROPERTY INCOME.—The
13 term ‘imported property income’ means any in-
14 come received or accrued by any person which
15 is of a kind which would be imported property
16 income (as defined in section 954(h)).”

17 (3) LOOK-THRU RULES TO APPLY.—Subpara-
18 graph (F) of section 904(d)(3) is amended by strik-
19 ing “or (E)” and inserting “(E), or (H)”.

20 (d) TECHNICAL AMENDMENTS.—

21 (1) Clause (iii) of section 952(c)(1)(B) (relating
22 to certain prior year deficits may be taken into ac-
23 count) is amended by inserting the following
24 subclause after subclause (II) (and by redesignating
25 the following subclauses accordingly):

1 “(III) imported property income,”.

2 (2) Paragraph (5) of section 954(b) (relating to
3 deductions to be taken into account) is amended by
4 striking “and the foreign base company oil related
5 income” and inserting “the foreign base company oil
6 related income, and the imported property income”.

7 (e) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as provided in para-
9 graph (2), the amendments made by this section
10 shall apply to taxable years of foreign corporations
11 beginning after December 31, 1994, and to taxable
12 years of United States shareholders within which or
13 with which such taxable years of such foreign cor-
14 porations end.

15 (2) SUBSECTION (c).—The amendments made
16 by subsection (c) shall apply to taxable years begin-
17 ning after December 31, 1994.

18 **SEC. 844. REPEAL OF DEDUCTION FOR INTANGIBLE DRILL-**
19 **ING AND DEVELOPMENT COSTS.**

20 (a) IN GENERAL.—Subsection (c) of section 263 (re-
21 lating to capital expenditures) is hereby repealed.

22 (b) CONFORMING AMENDMENT.—Section 57 (relat-
23 ing to items of tax preference) is amended by striking sub-
24 sections (a)(2) and (b).

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to costs paid or incurred after De-
3 cember 31, 1994, in taxable years ending after such date.

4 **SEC. 845. REPEAL OF PERCENTAGE DEPLETION FOR OIL**
5 **AND GAS WELLS.**

6 (a) IN GENERAL.—Section 613A is hereby repealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Subsection (d) of section 613 (relating to
9 percentage depletion) is amended by striking “Ex-
10 cept as provided in section 613A, in” and inserting
11 “In”.

12 (2) Paragraph (1) of section 57(a) is amended
13 by striking the last sentence.

14 (3) The table of sections for part I of sub-
15 chapter I of chapter 1 is amended by striking the
16 item relating to section 613A.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 1994.

20 **SEC. 846. REPEAL OF APPLICATION OF LIKE-KIND EX-**
21 **CHANGE RULES TO REAL PROPERTY.**

22 (a) IN GENERAL.—Paragraph (2) of section 1031(a)
23 (relating to exchange of property held for productive use
24 or investment) is amended by striking “or” at the end of
25 subparagraph (E), by striking the period at the end of

1 subparagraph (F) and inserting “, or”, and by adding at
2 the end thereof the following new subparagraph:

3 “(G) real property.”

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall apply to transfers after December 31,
6 1994.

7 **SEC. 847. AMORTIZATION OF PORTION OF ADVERTISING**
8 **EXPENSES.**

9 (a) IN GENERAL.—Part IX of subchapter B of chap-
10 ter 1 (relating to items not deductible) is amended by in-
11 serting after section 263A the following new section:

12 **“SEC. 263B. CAPITALIZATION OF PORTION OF ADVERTISING**
13 **EXPENSES.**

14 “(a) 20 PERCENT OF ADVERTISING EXPENSES RE-
15 QUIRED TO BE CAPITALIZED.—

16 “(1) DISALLOWANCE.—Except as provided in
17 paragraph (2), no deduction shall be allowed for 20
18 percent of the advertising expenses paid or incurred
19 by the taxpayer during the taxable year.

20 “(2) AMORTIZATION OF DISALLOWED
21 AMOUNT.—The amount not allowed as a deduction
22 under paragraph (1) for any taxable year—

23 “(A) shall be treated as chargeable to cap-
24 ital account with respect to the trade or busi-

1 ness (or activity described in section 212) in
2 which incurred, and

3 “(B) shall be allowed as a deduction rat-
4 ably over the 48-month period beginning with
5 the 1st month of the following taxable year.

6 “(b) ADVERTISING EXPENSES.—For purposes of this
7 section—

8 “(1) IN GENERAL.—The term ‘advertising ex-
9 pense’ means any amount—

10 “(A) which (without regard to this section)
11 is allowable as a deduction under section 162
12 or 212 for the taxable year in which paid or
13 incurred, and

14 “(B) which is paid or incurred in connec-
15 tion with an attempt to encourage the purchase
16 or sale, lease, or use of any product or service
17 for the benefit of the taxpayer or a related
18 person by means of any media.

19 “(2) AMOUNTS DEDUCTIBLE AS DEPRECIATION
20 OR AMORTIZATION TREATED AS EXPENSES.—The
21 amount allowable as a deduction under this chapter
22 for the taxable year for depreciation or amortization
23 shall be treated for purposes of this section as an ex-
24 pense paid or incurred during such year which is de-
25 scribed in paragraph (1).”

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for such part IX is amended by inserting after the item
 3 relating to section 263A the following new item:

“Sec. 263B. Capitalization of portion of advertising expenses.”

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to amounts paid or incurred after
 6 December 31, 1994, in taxable years ending after such
 7 date.

8 **Subtitle F—Estimated Tax**

9 **Provisions**

10 **SEC. 851. INDIVIDUAL ESTIMATED TAX PROVISIONS.**

11 (a) GENERAL RULE.—Paragraph (1) of section
 12 6654(d) (relating to amount of required installment) is
 13 amended—

- 14 (1) by striking “100 percent” in subparagraph
 15 (B)(ii) and inserting “120 percent”, and
 16 (2) by striking subparagraphs (C), (D), (E),
 17 and (F).

18 (b) CONFORMING AMENDMENTS.—

- 19 (1) Subparagraph (C) of section 6654(i)(1) is
 20 amended by striking “and without regard to sub-
 21 paragraph (C) of subsection (d)(1)”.

- 22 (2) Subparagraph (A) of section 6654(j)(3) is
 23 amended by striking “and subsection (d)(1)(C)(iii)
 24 shall not apply”.

1 (3) Paragraph (4) of section 6654(l) is amend-
 2 ed by striking “paragraphs (1)(C)(iv) and (2)(B)(i)
 3 of subsection (d)” and inserting “subsection
 4 (d)(2)(B)(i)”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this subsection shall apply to taxable years beginning after
 7 December 31, 1994.

8 **SEC. 852. CORPORATE ESTIMATED TAX PROVISIONS.**

9 (a) INCREASE IN ESTIMATED TAX.—

10 (1) IN GENERAL.—Subsection (d) of section
 11 6655 (relating to amount of required installments) is
 12 amended—

13 (A) by striking “91 percent” each place it
 14 appears in paragraph (1)(B)(i) and inserting
 15 “100 percent”,

16 (B) by striking “91 PERCENT” in the head-
 17 ing of paragraph (2) and inserting “100 PER-
 18 CENT”, and

19 (C) by striking paragraph (3).

20 (2) CONFORMING AMENDMENTS.—

21 (A) Clause (ii) of section 6655(e)(2)(B) is
 22 amended by striking the table contained therein
 23 and inserting the following new table:

“In the case of the following required installments:	The applicable percentage is:
1st	25
2nd	50

3rd	75
4th	100.”

1 (B) Clause (i) of section 6655(e)(3)(A) is
 2 amended by striking “91 percent” and inserting
 3 “100 percent”.

4 (b) MODIFICATION OF PERIODS FOR APPLYING
 5 ANNUALIZATION.—

6 (1) Clause (i) of section 6655(e)(2)(A) is
 7 amended—

8 (A) by striking “or for the first 5 months”
 9 in subclause (II),

10 (B) by striking “or for the first 8 months”
 11 in subclause (III), and

12 (C) by striking “or for the first 11
 13 months” in subclause (IV).

14 (2) Paragraph (2) of section 6655(e) is amend-
 15 ed by adding at the end thereof the following new
 16 subparagraph:

17 “(C) ELECTION FOR DIFFERENT
 18 ANNUALIZATION PERIODS.—

19 “(i) If the taxpayer makes an election
 20 under this clause—

21 “(I) subclause (II) of subpara-
 22 graph (A)(i) shall be applied by sub-
 23 stituting ‘4 months’ for ‘3 months’,

1 “(II) subclause (III) of subpara-
2 graph (A)(i) shall be applied by sub-
3 stituting ‘7 months’ for ‘6 months’,
4 and

5 “(III) subclause (IV) of subpara-
6 graph (A)(i) shall be applied by sub-
7 stituting ‘10 months’ for ‘9 months’.

8 “(ii) If the taxpayer makes an election
9 under this clause—

10 “(I) subclause (II) of subpara-
11 graph (A)(i) shall be applied by sub-
12 stituting ‘5 months’ for ‘3 months’,

13 “(II) subclause (III) of subpara-
14 graph (A)(i) shall be applied by sub-
15 stituting ‘8 months’ for ‘6 months’,
16 and

17 “(III) subclause (IV) of subpara-
18 graph (A)(i) shall be applied by sub-
19 stituting ‘11 months’ for ‘9 months’.

20 “(iii) An election under clause (i) or
21 (ii) shall apply to the taxable year for
22 which made and such an election shall be
23 effective only if made on or before the date
24 required for the payment of the second re-
25 quired installment for such taxable year.”

10 SEC. 861. ELECTION OF TAXABLE YEAR OTHER THAN RE-
11 QUIRED TAXABLE YEAR.

(a) LIMITATIONS ON TAXABLE YEARS WHICH MAY BE ELECTED.—Subsection (b) of section 444 (relating to limitations on taxable years which may be elected) is amended to read as follows:

16 “(b) TAXABLE YEAR MUST BE SAME AS REPORTING
17 PERIOD.—If an entity has annual reports or statements—

18 “(1) which ascertain income, profit, or loss of
19 the entity, and

20 “(2) which are—

21 “(A) provided to shareholders, partners, or
22 other proprietors, or

23 “(B) used for credit purposes,

1 the entity may make an election under subsection (a) only
2 if the taxable year elected covers the same period as such
3 reports or statements.”

4 (b) PERIOD OF ELECTION.—Section 444(d)(2) (re-
5 lating to period of election) is amended to read as follows:

6 “(2) PERIOD OF ELECTION.—

7 “(A) IN GENERAL.—An election under
8 subsection (a) shall remain in effect until the
9 partnership, S corporation, or personal service
10 corporation terminates the election and adopts
11 the required taxable year.

12 “(B) CHANGE NOT TREATED AS TERMI-
13 NATION.—For purposes of subparagraph (A), a
14 change from a taxable year which is not a re-
15 quired taxable year to another such taxable
16 year shall not be treated as a termination.”

17 (c) EXCEPTION FOR TRUSTS.—Section 444(d)(3)
18 (relating to tiered structures) is amended by adding at the
19 end thereof the following new subparagraph:

20 “(C) EXCEPTION FOR CERTAIN STRUC-
21 TURES THAT INCLUDE TRUSTS.—An entity
22 shall not be considered to be part of a tiered
23 structure to which subparagraph (A) applies
24 solely because a trust owning an interest in
25 such entity is a trust all of the beneficiaries of

1 which use a calendar year for their taxable
2 year.”

3 (d) REGULATIONS.—Subsection (g) of section 444
4 (relating to regulations) is amended to read as follows:

5 “(g) REGULATIONS.—The Secretary shall prescribe
6 such regulations as may be necessary to carry out the pro-
7 visions of this section, including regulations—

8 “(1) to prevent the avoidance of the provisions
9 of this section through a change in entity or form
10 of an entity,

11 “(2) to prevent the carryback to any preceding
12 taxable year of a net operating loss (or similar item)
13 arising in any short taxable year created pursuant to
14 an election or termination of an election under this
15 section, and

16 “(3) to provide for the termination of an elec-
17 tion under subsection (a) if an entity does not con-
18 tinue to meet the requirements of subsection (b).”

19 **SEC. 862. REQUIRED PAYMENTS FOR ENTITIES ELECTING**
20 **NOT TO HAVE REQUIRED TAXABLE YEAR.**

21 (a) ADDITIONAL REQUIRED PAYMENT.—

22 (1) IN GENERAL.—Section 7519(b) (defining
23 required payment) is amended to read as follows:

24 “(b) REQUIRED PAYMENT.—For purposes of this
25 section—

1 “(1) IN GENERAL.—The term ‘required pay-
2 ment’ means, with respect to any applicable election
3 year of a partnership or S corporation, an amount
4 equal to the excess (if any) of—

5 “(A) the adjusted highest section 1 rate,
6 multiplied by the net base year income of the
7 entity, over

8 “(B) the net required payment balance.

9 For purposes of paragraph (1)(A), the term ‘ad-
10 justed highest section 1 rate’ means the highest rate
11 of tax in effect under section 1 as of the close of the
12 first required taxable year ending within such year,
13 plus 2 percentage points.

14 “(2) ADDITIONAL PAYMENT FOR NEW APPLICA-
15 BLE ELECTION YEARS.—

16 “(A) IN GENERAL.—In the case of a new
17 applicable election year, the required payment
18 shall include, in addition to any amount deter-
19 mined under paragraph (1), the amount deter-
20 mined under subparagraph (C).

21 “(B) NEW APPLICABLE ELECTION YEAR.—

22 For purposes of this section, the term ‘new ap-
23 plicable election year’ means any applicable
24 election year—

1 “(i) with respect to which the preced-
2 ing taxable year was not an applicable elec-
3 tion year, or

4 “(ii) which covers a different period
5 than the preceding taxable year by reason
6 of a change described in section
7 444(d)(2)(B).

8 If any year described in the preceding sentence
9 is a short taxable year which does not include
10 the last day of the required taxable year, the
11 new applicable election year shall be the taxable
12 year following the short taxable year.

13 “(C) ADDITIONAL AMOUNT.—For purposes
14 of subparagraph (A), the amount determined
15 under this subparagraph shall be—

16 “(i) in the case of a year described in
17 subparagraph (B)(i), 75 percent of the re-
18 quired payment for the year, and

19 “(ii) in the case of a year described in
20 subparagraph (B)(ii), 75 percent of the ex-
21 cess (if any) of—

22 “(I) the required payment for the
23 year, over

24 “(II) the required payment for
25 the year which would have been com-

1 puted if the change described in sub-
2 paragraph (B)(ii) had not occurred.

3 “(D) REQUIRED PAYMENT.—For purposes
4 of this paragraph, the term ‘required payment’
5 means the payment required by this section (de-
6 termined without regard to this paragraph).”

7 (2) DUE DATE.—Paragraph (2) of section
8 7519(f) (defining due date) is amended to read as
9 follows:

10 “(2) DUE DATE.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), the amount of any required
13 payment for any applicable election year shall
14 be paid on or before May 15 of the calendar
15 year following the calendar year in which the
16 applicable election year begins.

17 “(B) SPECIAL RULE WHERE NEW APPLICA-
18 BLE ELECTION YEAR ADOPTED.—In the case of
19 a new applicable election year, the portion of
20 any required payment determined under sub-
21 section (b)(2) shall be paid on or before Sep-
22 tember 15 of the calendar year in which the
23 applicable election year begins.”

24 (3) PENALTIES.—

1 (A) IN GENERAL.—Section 7519(f)(4) (re-
2 lating to penalties) is amended by adding at the
3 end thereof the following new subparagraph:

4 “(D) FAILURE TO PAY ADDITIONAL
5 AMOUNT.—In the case of any failure by any en-
6 tity to pay on the date prescribed therefore the
7 portion of any required payment described in
8 subsection (b)(2) for any applicable election
9 year—

10 “(i) subparagraph (A) shall not apply,
11 but

12 “(ii) the entity shall, for purposes of
13 this title, be treated as having terminated
14 the election under section 444 for such
15 year and changed to the required taxable
16 year.”

17 (B) CONFORMING AMENDMENT.—Section
18 7519(f)(4)(A) is amended by striking “In” and
19 inserting “Except as provided in subparagraph
20 (D), in”.

21 (4) REFUNDS.—Section 7519(c)(2)(A) (relating
22 to refund of payments) is amended to read as
23 follows:

1 “(A) an election under section 444 is not
2 in effect for any year but was in effect for the
3 preceding year, or”.

4 (5) CONFORMING AMENDMENTS.—

5 (A) Paragraph (1) of section 7519(c) is
6 amended—

7 (i) by striking “subsection (b)(2)” and
8 inserting “subsection (b)(1)(B)”, and

9 (ii) by striking “subsection (b)(1)”
10 and inserting “subsection (b)(1)(A)”.

11 (B) Subsection (d) of section 7519 is
12 amended by striking paragraph (4) and redesignig-
13 nating paragraph (5) as paragraph (4).

14 (b) OTHER DEFINITIONS AND SPECIAL RULES.—

15 (1) REFUND.—Paragraph (3) of section
16 7519(c) (relating to date on which refund is pay-
17 able) is amended in the matter preceding subpara-
18 graph (A) by striking “on the later of” and inserting
19 “by the later of”.

20 (2) DEFERRAL RATIO.—The last sentence of
21 paragraph (1) of section 7519(d) is amended to read
22 as follows: “Except as provided in regulations, the
23 term ‘deferral ratio’ means the ratio which the num-
24 ber of months in the deferral period of the applicable

1 election year bears to the number of months in the
2 applicable election year.”

3 (3) NET INCOME.—Paragraph (2) of section
4 7519(d) is amended by adding at the end the follow-
5 ing new subparagraph:

6 “(D) EXCESS APPLICABLE PAYMENTS FOR
7 BASE YEAR.—In the case of any new applicable
8 election year, the net income for the base year
9 shall be increased by the excess (if any) of—

10 “(i) the applicable payments taken
11 into account in determining net income for
12 the base year, over

13 “(ii) 120 percent of the average
14 amount of applicable payments made dur-
15 ing the first 3 taxable years preceding the
16 base year.”

17 (4) DEFERRAL PERIOD.—Paragraph (1) of sec-
18 tion 7519(e) (defining deferral period) is amended to
19 read as follows:

20 “(1) DEFERRAL PERIOD.—Except as provided
21 in regulations, the term ‘deferral period’ means, with
22 respect to any taxable year of the entity, the months
23 between—

24 “(A) the beginning of such year, and

1 “(B) the close of the first required taxable
2 year (as defined in section 444(e)) ending with-
3 in such year.”

4 (5) BASE YEAR.—

5 (A) IN GENERAL.—Paragraph (2)(A) of
6 section 7519(e) (defining base year) is amended
7 to read as follows:

8 “(A) BASE YEAR.—The term ‘base year’
9 means, with respect to any applicable election
10 year, the first taxable year of 12 months (or
11 52–53 weeks) of the partnership or S corpora-
12 tion preceding such applicable election year.”

13 (B) CONFORMING AMENDMENT.—Para-
14 graph (2) of subsection (g) of section 7519 is
15 amended to read as follows:

16 “(2) there is no base year described in sub-
17 section (e)(2)(A) or no preceding taxable year de-
18 scribed in section 280H(c)(1)(A)(i).”

19 (c) INTEREST.—Section 7519(f)(3) (relating to in-
20 terest) is amended to read as follows:

21 “(3) INTEREST.—For purposes of determining
22 interest, any payment required by this section shall
23 be treated as a tax, except that interest shall be al-
24 lowed with respect to any refund of a payment under
25 this section only for the period from the latest date

1 specified in subsection (c)(3) for such refund to the
2 actual date of payment of such refund.”

3 **Subtitle H—Deduction for Chari-**
4 **table Contribution of Appre-**
5 **ciated Property Limited To Ad-**
6 **justed Basis**

7 **SEC. 871. DEDUCTION FOR CHARITABLE CONTRIBUTION OF**
8 **APPRECIATED PROPERTY LIMITED TO AD-**
9 **JUSTED BASIS.**

10 (a) IN GENERAL.—The first sentence of section
11 170(e) (relating to contributions of ordinary income and
12 capital gain property) is amended to read as follows: “The
13 amount of any charitable contribution of property other-
14 wise taken into account under this section shall be reduced
15 by the amount which would have been gain had the prop-
16 erty been sold by the taxpayer at its fair market value
17 (determined at the time of such contribution).”

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (e) of section 170 is amended by
20 striking paragraphs (3), (4), and (5).

21 (2) Subsection (a) of section 57 is amended by
22 striking paragraph (7).

23 (3) Subsection (c) of section 642 is amended by
24 adding at the end thereof the following new para-
25 graph:

1 “(7) LIMITATION ON DEDUCTION FOR CON-
2 TRIBUTION OF APPRECIATED PROPERTY.—

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to contributions and gifts made
5 after December 31, 1994.

6 **Subtitle I—Minimum 5 Percent**
7 **Rate of Tax on Interest Paid To**
8 **Foreign Persons**

9 **SEC. 881. MINIMUM 5 PERCENT RATE OF TAX ON INTEREST**
10 **PAID TO FOREIGN PERSONS.**

11 (a) INDIVIDUALS.—

12 (1) Paragraph (1) of section 871(a) is amended
13 by adding at the end thereof the following new sen-
14 tence: “Notwithstanding any treaty obligation of the
15 United States, the rate of tax imposed under para-
16 graph (1)(A) or (1)(C) shall not be less than 5
17 percent.”

18 (2)(A) Paragraph (1) of section 871(h) (relat-
19 ing to repeal of tax on interest of nonresident alien
20 individuals received from certain portfolio debt in-
21 vestments) is amended by striking “no tax shall be
22 imposed under paragraph (1)(A) or (1)(C) of sub-
23 section (a).” and inserting “the rate of tax imposed
24 under paragraph (1)(A) or (1)(C) of subsection (a)
25 shall be 5 percent. The preceding sentence shall

1 apply notwithstanding any treaty obligation of the
2 United States.”

3 (B) Paragraph (2) of section 861(h) is amend-
4 ed by striking “which would be subject to tax under
5 subsection (a) but for this subsection and” and in-
6 serting “subject to tax under subsection (a)”.

7 (C) The heading of section 871(h) is amended
8 by striking “REPEAL OF TAX” and inserting “5
9 PERCENT RATE OF TAX”.

10 (b) CORPORATIONS.—

11 (1) Subsection (a) of section 881 is amended by
12 adding at the end thereof the following new sen-
13 tence: “Notwithstanding any treaty obligation of the
14 United States, the rate of tax imposed under para-
15 graph (1) or (2) shall not be less than 5 percent.”

16 (2)(A) Paragraph (1) of section 881(c) (relating
17 to repeal of tax on interest of foreign corporations
18 received from certain portfolio debt investments) is
19 amended by striking “no tax shall be imposed under
20 paragraph (1) or (3) of subsection (a).” and insert-
21 ing “the rate of tax imposed under paragraph (1) or
22 (3) of subsection (a) shall be 5 percent. The preced-
23 ing sentence shall apply notwithstanding any treaty
24 obligation of the United States.”

1 (B) Paragraph (2) of section 881(c) is amended
2 by striking “which would be subject to tax under
3 subsection (a) but for this subsection and” and in-
4 serting “subject to tax under subsection (a)”.

5 (C) The heading of section 881(c) is amended
6 by striking “REPEAL OF TAX” and inserting “5
7 PERCENT RATE OF TAX”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to interest received after Decem-
10 ber 31, 1994, in taxable years ending after such date.

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